The China Weekly
REVIEW
密勒氏評論報
A Weekly Newspaper Established in 1917

November 26, 1938

Nine-Power Treaty Junked?
AN EDITORIAL

★

Asia Developments Board

★

The Shut 'Open Door'

★

Reactionaries and Japan
BY T. A. BISSON

★

War of the Dollar and Yen
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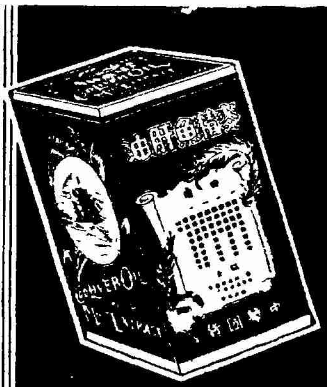

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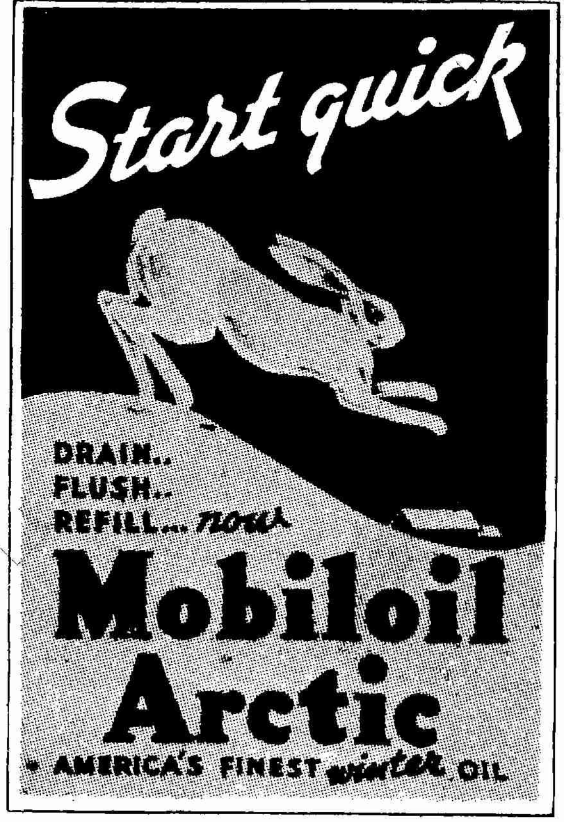

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What People Are Saying

Comments from Readers on Current Topics are cordially invited; their opinions, however, do not necessarily represent the views of the *China Weekly Review.*

Munich Critic

The Editor, *China Weekly Review:*

When Viscount Runciman was sent to Prague as an unofficial mediator in the Czech crisis, the writer expressed the opinion that he went there to betray the Czechs. That is exactly what has happened. What soldier returning from the Great War could have imagined that, in the short space of 20 years, a prime minister of Great Britain would speed to Germany and, like a suppliant mendicant, grovel before a German Jew-baiter, and beg for peace at any price. And, at what a price—the betrayal of a helpless nation and the Empire. No nation is so lost to all sense of moral integrity as that which betrays a friend and ally to appease an enemy. At no time in history has British prestige sunk so low. Only a courageous soldier, backed by a resolute and quickened nation, could restore it—if ever.

Gone forever is the old patriotic fervour that filled our hearts in days gone by. Never again shall our halls resound with the music of the patriotic songs of long ago. The Land of Hope and Glory is now the Graveyard of Our Dreams. All Canadians, especially United Empire Loyalists, must feel humiliated and mortified by recent events. It fell to the lot of the Prime Minister of Great Britain to give the Empire a mortal wound. When the sentence of execution was pronounced at Munich by the Four Power gangsters and traitors, a last despairing cry came from the Little Republic, "Save us, or we perish." In the space of 20 years the juggernaut of treachery has ploughed through Montenegro, Armenia, Cilicia, Abyssinia, China, Austria and now Czechoslovakia. The world cries for justice—not the unctuous phrases and sanctimonious hypocrisy of Westminster. For 20 years the Allies have trodden the slimy path of dishonour. It is a sordid story unworthy of the British Empire, which has received a mortal thrust, and is sick unto death.

Soldiers and Veterans of the Great War. The Cenotaph is now our wailing-wall where we mourn those who died in vain. Millions are being slaughtered. All the ideals for which we fought are destroyed. May we still have courage to fight for liberty and justice. When all minority demands are satisfied, about all left of Czechoslovakia will be a great cemetery. And, in that cemetery there might well be a gravestone with the epitaph: "May God Forgive the Sins of all Those Poor Souls Who Put Their Trust in Christian Allies."

F. E. BURNHAM,
Brigadier-General

Halcyon Springs, Arrow Lake, B.C.,
Nov. 1, 1938.

Trumpets

The Editor, *China Weekly Review:*

I admire your courage and may I congratulate you on what I believe is the most fearless publication in the Orient engaged in unmasking the Japanese foreign policy. I wish you could print more pictures about the "horrors" of the Japanese Imperial forces in the occupied areas of China. The Japanese Government spokesmen in Shanghai have at all times since the beginning of the "undeclared war" been denying all charges against their soldiers or civilians for slapping, kicking and insulting foreigners; just to throw dust in the eyes of the world and attempt to prove that their nationals are civilized (sic) as we are! In fact, most of the Japanese are savages! I would like to remind your overseas readers to be very careful with **Domei** and **Stefani** news, as both are the Trumpets of the Japanese and Italian Governments respectively.

"H. S. UNONA"

Hongkong, Nov. 19, 1938.

Headaches

The Editor, *China Weekly Review:*

Japan gets lots of headaches these days. Japan's next headache will be "supplied" by the signatories of the Nine-Power Treaty. And all because, she is trying to make herself recognized as the real master of China! It seems to me that as a result of the Munich agreement, the Japanese Government has been encouragd to think that Great Britain and France are impotent to defend their rights and interests not only in Europe but throughout the world. The time has arrived for other signatories of the Nine Power Treaty to take strong action (no notes) unless the White Race wants to accept the destruction of its interest in China. Prior to the hostilities, the foreign interests were well protected and enjoyed equal rights under the Chinese National Government. Now Japan has "closed the door"!

China is not making war against Japan. Japan is making war on China. And Japan is making war on the principles of that Nine Power pact which she "finds" conveniently "out of date" (the conditions have changed because of Japan's Military Campaign in China). The said Nine-Power Treaty was signed at the Washington Conference of 1921-1922. Signatories to the pact are the Great Britain, U.S.A., France, China, Portugal, the Netherlands, Belgium, Italy and Japan. The Nine Power Treaty has four principles:

1. It guarantees the sovereignty, in-

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Formerly Millard's Review
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dependence and territorial and administrative integrity of China.

2. It binds the powers to aid China in maintaining a stable government.

3. It stipulates equal commercial opportunity in China for all nations.

4. It restrains the signatories from seeking special privileges in China, at the expense of other nations.

The history of Manchuria and North China has apparently been forgotten by the Powers. The time has arrived for the Powers to take action or tear up all the treaties!

"DISAPPOINTED"

Shanghai, Nov. 22, 1938.

Filipino Bushido

The Editor, *China Weekly Review :*

Japanese influence in the Philippines is becoming very pronounced. Several high Filipino officials apparently have been bought over. Recently the Commonwealth began inviting Japanese advisers to the Islands—following President Quezon's trip to Japan. Incidentally, Quezon came back a big enthusiast for bushido. Besides Davao, the Japanese are now extending to Luzon Province, where they have a Fillipino politician acting as puppet owner of a huge timber estate on the east coast. Commissioner McNutt looks on all this with misgivings; and apparently Washington is also becoming worried at last....There is now a growing active conscious demand on the part of big elements of the Filipinos, and most of the Americans, to secure a revision of the Tydings-McDuffy Act, along lines of extension of the period of the Commonwealth, and extension of economic provisions of the Act. Filipinos who favor the request for modification do so on two grounds: first, fear of Japan; second, fear of their own Fascist-inclined rulers. Americans favor it for the same reasons. A third—perhaps the important—factor is realization that the raising of customs barriers against Filipino raw materials, and in the Islands against American goods, will throw the whole Philippine economy into chaos and confusion. The Philippines have no industry to speak of and will inevitably become an economic colony of Japan, which is the only country that can absorb the hemp and copra which the Philippines will have to barter for manufactured goods. Obviously this economic power which will thus fall to Japan will be accompanied by greatly increased political and military pressure.

ISLANDER.

Manila, November 15, 1938.

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Registered at the Chinese Post Office as a Newspaper
for transmission with special marks privileges in China

Volume 86 Shanghai, China, Saturday, November 26, 1938 Number 13

Japan Repudiates the Nine-Power Treaty

THE deadlock in the relations of Japan and the United Stated over the fundamental issue of Japan's observance of the Nine-Power treaty providing for the Open Door and Equality of Opportunity and the preservation of the territorial and administrative integrity of the Republic of China advanced to a new and more serious stage as a result of Japan's reply to Secretary of State Cordell Hull's Note pertaining to Japan's discrimination and interference with American trade and other activities in China. Secretary Hull's Note was sent to Japan on Oct. 6 and was not answered until Nov. 19.

The Japanese reply, regarded generally as an "oblique" repudiation of her obligations under the treaty as well as international law, has created an impasse in the relations of the two countries which apparently are no longer solvable by orthodox methods of diplomacy or the normal methods of trade competition.

Japan's attitude on the issue of the Nine-Power treaty, following her abrogation of the Naval Pact two years ago, practically isolates Japan from ordinary diplomatic relationship with the eight powers which participated in the negotiation and signing of the Washington Conference agreements which were designed to normalize their relations in the Pacific and Far East. As a result the element of force as represented by competitive naval power has become the dominating factor in the relations of nations primarily concerned with this region.

The fact that Japan's reply was accompanied by inspired press statements in the Tokyo papers which defied the United States to do anything to rectify the situation, will undoubtedly bring a reaction at Washington when Congress meets early in January. In some quarters it is thought that Japan's intransigent attitude may precipitate early Congressional action either to invoke or amend the Neutrality Law. Recently it was reported that plans are afoot to amend the Act giving the President power to prevent shipments of munitions and basic war materials to nations which have violated peace treaties to which the United States is a party.

In short, Japan's reply to the American Note has left little doubt in the minds of Americans and others concerned, regarding the real intentions and objectives of Japanese imperialism.

For example, the *Asahi*, leading Tokyo daily claimed that the United States "was unlikely to resort to force, or to apply economic sanctions or retaliatory economic measures as a result of the abrogation of the Nine-Power Treaty, because such action would necessitate a simultaneous increase in American defense preparations in the Pacific, including the construction of new naval bases and expansion of the air force on the Pacific Coast." The *Asahi* thought there could be "no sudden intensification of the Administration's policies toward the Far East, because the present American national defense program is regarded in Japan as the maximum to which even the American defense authorities are willing to go." The *Nichi-Nichi*, another leading Japanese paper said that the "brandishment of the Open Door policy solely to uphold the sanctity of international treaties involving the Far East, where American interests are comparatively slight . . . . is not likely to serve any useful purpose." This editor regarded it as "highly irrational to demand observance of the Open Door in the face of the world tendency toward economic seclusion." The United States would experience, considerable difficulty, "even with British assistance, in bringing about a favorable turn of events in the Far East on the basis of the American Note."

Other comment, such as that of the newspaper *Chugai*, disclosed the trend of official thinking in Japan when it was stated that "Japan would be placed at extreme disadvantage if it permitted a continuation of the Nine-Power Treaty and allowed its diplomacy of the future to be restricted by American idealistic diplomacy based on the principle of the past." This paper expressed the view that Japan's chief task was not to rectify conditions, "but to rectify America's conception of the situation now prevailing in the Far East."

A later comment from the *Hochi Shimbun* (Nov. 21) declared that it would be useless for the United States to send Japan any further notes regarding the principles of the Open Door and Equality of Opportunity in China. This statement combined with the views expressed in the official reply, indicated that the present rulers of Japan are convinced that the United States will do nothing to uphold either her moral or material interests in the Far East; that the American people are so firmly tied to their twin policies of peace-at-any-price and isolation, that they will do nothing about Japan's activities in Asia. Japan's real attitude was expressed in next to the last paragraph of her statement,

> "It is the firm conviction of the Japanese Government that in the face of a new situation, fast developing in East Asia, that any attempt to apply to conditions of today and tomorrow, the inapplicable ideas and principles of the past neither would contribute toward the establishment of real peace in East Asia, nor solve immediate issues."

The statements in Japan's reply to the American Note of Dec. 6 as well as the reply to a later American note referring to the reopening of the Yangtsze to foreign shipping and trade, which was dispatched on Nov. 7, lacked originality in that it repeated previous Japanese promises which have since been repeatedly violated. Furthermore, it made no satisfactory reply to the various charges of unlawful interference with trade, cultural activities, movements and residence of American citizens, detention of their properties, censorship of their mail and telegrams, transportation of their merchandise and establishment of monopolies designed to circumvent the application of the principles of equality of opportunity for trade or other activities in the territories of the Chinese Republic.

Japan's attempted explanation of restrictive exchange manipulation at Tsingtao, Chefoo and other North China ports amounted to sophistry because other restrictive measures such as the barring of ships from the use of public wharves and jetties, now monopolized by private Japanese interests indicates the intentions of the Japanese authorities to discriminate against other interests. For example, the barring of foreign ships from the use of public wharves and jetties necessitate payment of lighterage charges which make normal trade competition impossible. Shipping, other than Japanese, has been compelled to cease calling at these ports.

The reference in the Japanese Note to the efforts and methods of the Provisional Government at Peiping to enforce general use of the unsecured $100,000,000 worth of notes issued by the so-called Federal Reserve Bank in place of the recognized, unified and previously stabilized currency of the Central Bank of China, likewise did not inspire conviction because of the knowledge that the activities of the Federal Reserve Bank are manipulated for the special benefit of Japanese nationals.

Japan's financial and exchange manipulation in North China in connection with the so-called policy of the "Yen-Bloc" countries, Japan-China-Manchukuo, have completely paralyzed the previously prosperous trade of the United States and other foreign countries in the North China region. Japan's introduction of unbacked inflationary currency through the so-called Federal Reserve Bank and the placing of that currency in arbitrary exchange relationship with the Yen, have had the effect of giving the Japanese a 40 percent advantage in selling goods, while Japanese exporters of Chinese raw products now enjoy a price advantage of 75 percent.

The practical application of Japanese financial measures in North China, particularly the forcing on the people of $100,000,000 worth of unsecured currency which is used by certain cliques of Japanese dealers who " stand close to the army " amounts to nothing less than the " looting " of North China, while Japan's methods in operating her so-called " controlled exchange " amounts to a direct attack on American and other non-Japanese traders, including the Chinese."

The allegation in the Japanese reply that there had been no objection to Japan's action in applying unilaterally the tariff schedules of 1931, was incorrect as strong protests have been lodged here by American and other foreign interests at this tariff which is designed to give Japan special advantages over her competitors. Some of the items in the present tariff affecting occidental products are 100 percent higher than in the preceding schedules.

Japanese statements that the objectives behind the creation of monopolistic promotion companies in North China and at Shanghai are to facilitate the restoration and development of China's economic, financial and industrial life and for the welfare of the Chinese people, likewise do not carry conviction because the only observable activities of such companies already established have been concerned with the seizure of private and public Chinese industrial concerns and services which already were in normal operation prior to the Japanese military intervention. In all cases where operations of Chinese public utilities such as telephones and telegraphs, radio, railways and motorbus lines have been taken over by the Japanese the services have been such as to discourage use by the general public.

Statements that restrictions against trade, shipping and travel on the part of non-Japanese are due to Japanese regard for the safety of Americans and other foreigners residing within areas occupied by the Japanese Army likewise do not accord with facts because the Chinese people generally welcome the legitimate activities of Americans and Europeans, their animosities only being directed at the Japanese aggressors. The allegations by Japanese spokesmen that Japanese ships operating on the Yangtsze do not carry merchandise designed for commercial purposes, also do not accord with the facts, because Japanese newspapers here carry advertisements of Japanese forwarding companies which for some time have been soliciting, carrying and delivering cargo in which Japanese have an interest between Shanghai and Yangtsze ports.

As indicated in the Hull Note, conditions in North China and the Yangtsze Valley are beginning to resemble the situation in Manchuria where American and other non-Japanese commercial enterprises have been ousted by Japanese interests enjoying special relations with the Kwantung Army.

The exclusion of foreign trade by non-Japanese interests had followed almost automatically from the Japanese policy of creating state-monopolies and quasi-monopolies. By 1937 there was not a single important industry in Manchuria which was not wholly or partly under government control.

That Japan plans to exclude the non-Japanese world from the rest of China is evidenced in the examples cited in the American note. The putting into effect of Japan's program only awaits her securing of political and military power.

Had the war not come, China would have proceeded with her modernization program at a geometric rate of progression. She would have extended means of communication and transportation, multiplied public utilities, established factories. Under normal conditions nothing could have prevented China from offering a large and constantly growing market for America and the world's manufactured products.

But Japanese military conquest has stifled this independent development and has diverted the remaining trade, exports as well as imports into channels which will be supplemental to Japan's national needs, the criterian being first military and then economic. China's national life will be " co-ordinated " into the so-called Japan-Manchukuo-China " bloc " in all the authoritarian connotations of the word.

The idea of the tri-partite bloc is for the purpose of military power primarily, and then the assurance of Japanese self-sufficiency. Control of tariff-making machinery, currency and foreign exchange, establishment of monopolistic holding companies under government direction controlling telegraphs, telephones, electric power, gas works, water works and transportation of all kinds, plus the parcelling out to individuals and concerns enjoying special relations to the Imperial Army, indicate the potential dangers involved for the future national welfare of the United States and its citizens.

As stated by, Nathaniel Peffer in *Foreign Affairs*, the providing of credits to Japan, under such prospects, would be tantamount to America's underwriting her own undoing.

While the diplomatic spokesmen of the Tokyo Government explain that Japan is devoting herself to the creation of a " New Order " in Asia and is prepared to recognize the Open Door and welcome foreign participation, Japan's predatory military elements are at the same time defying the legitimate demands of the United States for the protection of the property of its citizens and for the continuance of the right to trade, and conduct their educational, medical, religious and social activities on an equal basis with the nationals of other countries interested in the Far East. That defiance is bound to spread with increasingly damaging effect to the friendship and sympathy which has been developed over the years between Americans and Oriental peoples. Thus, far greater issues are at stake in these demands of our Government than the mere preservation of the existing interests of Americans.

Americans residing in China do not doubt for a moment Japan's dire intentions to throttle or expel American commercial activity and control to their own ends the missionary enterprise in this country. Once these intentions become accomplished facts, and China's resources are harnessed to the Japanese economic and war machines, the menace to America will be apparent to all. But then it may be too late to employ peaceful means, which, if applied now, would insure the maintenance of American rights and influence in the Pacific.

The American people must now decide as to their future in the Far East and must realize, in making this decision, that the real point for consideration is not what present American investments in China amount to, nor the value of trade between the two countries, but rather the tremendous bearing which the free continuance of American trade and missionary effort in China would have on America, both present and in the future, in their efforts to preserve an open door for trade in the Far East and the preservation of peace in the Pacific.

⁂

Secretary of State Cordell Hull expressed strong dissatisfaction with Japan's reply to his Note of Oct. 6 and it was indicated in press reports from Washington (Nov. 23) that the Administration's dissatisfaction would shortly be incorporated into another and possibly stronger communication to the Japanese Government. Informed observers expected that the next American Note would assert the rights of American citizens to conduct their activities on a par with those of the Japanese or other foreign nationals in China. In a brief statement to the press Mr. Hull said that he preferred to withold further comment until the Department had time to study the substance and implications of the Japanese reply. Mr. Hull said, however, that the Japanese Government was not responsive to the position of the United States as set forth in its Note, nor to the general position which the United States had adopted throughout its history regarding American rights and interests, and in its relations not only with China but all other countries.

Considerable speculation has been aroused as to America's next move against a country which has resorted to the tactics of the bully and gangster. In this connection there was considerable pertinent comment by Raymond Moley, former member of the "Brain Trust," now editor of *Newsweek* magazine, Mr. Moley's reference being to possible methods to be used in dealing with German activities in Central and South America. After dismissing the suggestion that the United States should set up and operate a radio station to advertise the virtues of American Government and business in South American countries, as absurd as a solution, he said,

"We cannot outtrade Krupp by outshouting Goebbels. To meet this new situation, the President and Secretary of State are going to have to overhaul a good many of their cherished beliefs with regard to foreign trade. The world has changed since they learned their classical economics . . . . it requires no gift of prophesy to foresee the results of our attempt to wander around in a world of machine guns armed only with wooden swords. We are going to have to discard our antiquated theories, do some fast thinking and quick stepping if we intend to frustrate the economic conquest of a number of Central and South American countries by Germany. As a starter, it might be well to introduce a little more practical business ability into our State and Commerce Departments. This is not a job for diplomats and politicians who have never sold a cotton shirt or a monkey wrench or a can of tomatoes. It is a job of salesmanship, of business enterprise . . . . Obviously, some central agency is needed to promote foreign trade, particularly South American trade, and to promote it much the same why the Germans have successfully employed. This need not and should not be a totalitarian device—a government agency. It should be private. But it must have active support, cooperation and confidence of a government aware of our tremendous stake in South America and alert to the menace of German economic imperialism. Only thus can it attract enough American capital and business ability to bind the two Americas more closely.

THANKSGIVING PROCLAMATION

PRESIDENT Franklin D. Roosevelt issued the following proclamation on the occasion of Thanksgiving Day, November 24:

"I, Franklin D. Roosevlt, President of the United States of America, do hereby designate Thursday, the 24th of November, 1938, as a day of general thanksgiving.

"Our Fathers set aside such a day as they hewed a nation from the primeval forest. The observance was consecrated when Gorge Washington issue a Thanksgiving Proclamation in the first year of his presidency. Abraham Lincoln set apart a day of Thanksgiving and praise to our Beneficent Father who dwelleth in the Heavens.'

Franklin D. Roosevelt

"Thus, from our earliest recorded history, Americans have thanked God for their blessings. In our deepest natures, in our very souls, we, like all mankind since the earliest origin of mankind, turn to God in time of trouble and in time of happiness. 'In God We Trust.'

"For the blessings which have been ours during the present year we have ample cause to be thankful.

"Our lands have yielded a goodly harvest and the toiler in shop and mill receives a more just return for his labor.

"We have cherished and preserved our Democracy.

"We have lived in peace and understanding with our neighbors and have seen the world escape the impending disaster of a general war.

"In the time of our fortune it is fitting that we offer prayers for unfortunate people in other lands who are in dire distress at this, our Thanksgiving season.

"Let us remember them in our families and our churches when on the day appointed we offer our thanks to Almighty God. May we by our way of living merit the continuance of His Goodness.

"In witness whereof I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

"Done at the City of Washington this Nineteenth Day of November in the Year of Our Lord Nineteen Hundred and Thirty Eight, and of the Independence of the United States of America the One Hundred and Sixty Third.—FRANKLIN D. ROOSEVELT."

"Asia Developments Board" Expresses Japan's Real Ambitions

BY H. C. H.

JAPAN'S growing ambition to dominate all Asia is indicated in the choice of " Asia Development Board " as the designation of the newly created Cabinet organ to direct the affairs of China. Various other names were suggested, such as " China Affairs Board," " Central Organ to Direct China Affairs " and " East Asia Board," but none of them satisfied the ambitions of the empire builders. Finally, they decided on Asia "Development Board " as all embracing and expressive of the program to control the entire Continent for the benefit and glorification of Japan. The title symbolizes the principle of " Asia for Japan " more accurately than was the case with the previous slogan " Asia for the Asiatics."

Establishment of the new department was approved by the Cabinet on Nov. 18. Its aim, as announced in an official statement, " will be to conduct long-term rehabilitation and reconstruction of China by mobilizing and co-ordinating national resources so as to make the Chinese people realize the indispensibility of their co-operation with Japan in their joint efforts for establishing lasting peace in East Asia."

Gen. Heisuke Yanagawa, formerly commander of the Japanese Landing Force at Hangchow Bay, will be the real power behind the organization but in order to camouflage its military character, Premier Prince Konoye will be the nominal president with Gen. Yanagawa as *de facto* head with the title of secretary-general. In addition to these officials, there are four vice-presidents comprising the Ministers of War, Navy, Foreign Affairs and Finance. Lt.-Gen. T. Suzuki was slated for the post of director of the Political Section.

The scope of the Board's activities was defined as follows :

1. The management of political, economic and cultural affairs in China in connection with the current China hostilities. This, however, will exclude diplomatic affairs.
2. The formulation of the Government's policies within the scope mentioned.
3. The supervision and control of semi-official companies specially chartered for conducting business in China as well as individuals doing business in China.
4. The co-ordination and unification of the administration of China affairs by various governmental departments.

Regulations governing the board provide for the establishment of three branches in China, to be located at Shanghai, Peiping and Tatung (Shansi) respectively.

Brain Trust for Arita

Formation of a " brain trust " by Hachiro Arita, Foreign Minister, was foreseen by political circles in Tokyo as instructions were issued to Hajime Matsumiya, Japanese Minister to Hungary, to return to Japan. Mr. Matsumiya is expected to assume direction of the proposed Planning Bureau in the Foreign Office. He, together with Setsuzo Sawada, Vice-Minister of Foreign Affairs and Sho Kurihara, Director of East Asiatic Affairs, will form an " executive triumvirate " in the Foreign Office. The organ, when established, will replace the present Section of Investigation.

Tokyo celebrated (Nov. 20) the first anniversary of establishment of Imperial General Headquarters with an exhibition of war booty captured on China fronts. The display was held at the compounds of the Army General Staff Building.

To cope with the new stage in China hostilities, Foreign Minister Arita was reported as planning a shake-up in Japan's diplomatic personnel abroad. Yotaro Sugimura, present Ambassador to France, will be recalled and Saburo Kurusu, Ambassador at Brussels, is mentioned as his successor. Masayuki Tani, Minister-at-Large in China, or Eiji Amau, Minister to Switzerland, are considered as candidates for the Brussels post.

The Social Mass Party, or " prolitarian " party in Japan has also turned imperialistic. At a recent meeting of its Executive Committee, the Party mapped out an ambitious six-point continental policy designed for the creation of a " League of Asia " under Japanese domination. Among other things, the program calls for :

1. Construction of a new nation of China :
   - (*a*) Establishment of a strong and unified government.
   - (*b*) Enforcement of a 5-year plan of North China development.
   - (*c*) Enforcement of a 5-year plan of Central and South China economic production
   - (*d*) Ideological and cultural enterprises.
   - (*e*) Enforcement of agrarian rebirth plans.
   - (*f*) Formation of a national party.
2. Construction of a China-Manchukuo-Japan confederacy.
   - (*a*) Establishment of confederate ideology.
   - (*b*) Establishment of a China-Manchukuo-Japan political league.
   - (*c*) Establishment of a reciprocal economic organization among China, Manchukuo and Japan.
   - (*d*) Formation of a national league.
   - (*e*) Establishment of a supervisory body over China, Manchukuo and Japan.
3. Concrete constructive measures :
   - (*a*) United development of material resources.
   - (*b*) Development of Manchuria and border provinces.
   - (*c*) Establishment of an East Asia Economy Company.

With economic co-operation of " New Asians " as its object, the so-called Japan-China-" Manchukuo " Economic Bloc Conference was opened in Tokyo for a three-day session beginning on Tuesday of this week. It was attended by Lu Yung-huan, Manchukuo's "Minister of Industry ;" Yin Tung, chief of the Reconstruction Bureau of the " Peking Provisional Government," Wang Tze-hui, " Minister of Industry " of Nanking and Chin Yun-chang, chief of the Industry Section of the " Mongolian Autonomous Government." Japan's delegation comprised Manzo Kushida, councillor of the Bank of Japan ; Ryozo Asano, director of the Asano Portland Cement Co., and Juichi Tsushima, vice governor of the Bank of Japan.

Prominent Tokyo Guests

Liang Hung-chih, head of the Nanking delegation now visiting in Tokyo, has busied himself paying obeisance to Japanese notables. After bowing to the Japanese Emperor at the Double Bridge before the Imperial Palace, he visited wounded Japanese soldiers in various Army hospitals in Tokyo. His calls on Japanese officials included : Premier Prince Konoye ; Baron Kiichiro Hiranuma, chairman of the Privy Council ; Tsuneo Matsudaira, Minister of the Imperial Household ; Count Yorinaga Matsudaira, Speaker of the Upper House of the Diet, and Matsuhisa Koyama, Speaker of the House of Representatives ; Lt.-Gen. S. Itagaki, War Minister ; Hachiro Arita, Foreign Minister ; Admiral Mitsumasa Yonai, Navy Minister ; Gen. Iwane Matsui, former Commander-in-Chief of Japanese Forces in Central China ; Toyotaro Yuki, Governor of Bank of Japan ; I. Kohashi, Mayor of Tokyo, and lesser Japanese dignitaries.

Liang, declared that the Joint Committee formed by the Peiping and Nanking regimes in China might be regarded as the forerunner of a new central government, but establishment of such a central regime was not expected in the near future. This Liang also told the correspondents that Nanking had no intention of abolishing immediately extraterritoriality rights of third Power nationals in areas under its jurisdiction. As a mark of gratitude to his Japanese protectors, Liang, in the name of the Nanking " Reformed Government," donated Yen 100,000. to the Ministry of War for the relief of families of Army war dead and an additional Yen 50,000 for treatment of wounded soldiers. He contributed Yen 50,000 to the Ministry of Navy also to be expended for the care of wounded bluejackets.

Two titles are being suggested for the new " central " government now under preparation at Peiping, namely, the " Chung Hua Min Kuo Lien Pang Cheng Fu "—Federal Government of the Chinese Republic—and the " Chung Hua Min Kuo Lien Sheng Cheng Fu "—United Provincial Government of the Chinese Republic. No agreement has been reached among Japanese sponsors and their puppets regarding the final choice of the title. A new anti-Comintern autonomous association was founded at Peiping with Wang Fei-peng, a former magistrate, as its president. The purpose is to assist in the organization of the new central regime.

Addressing the first of a series of anti-Chiang Kai-shek meetings organized by Japanese in Peiping, Wang Keh-min, head of the Peiping regime, urged the National Government to abandon its " useless resistance " and co-operate with Japan to build a "new order in East Asia."

Anti-Comintern meetings were also held at Tientsin. Kao Ling-wei, puppet Governor of Hopei, made a similar appeal for the " construction of a new East Asia " in co-operation with Japan.

Japanese reports stated that Nankung, seat of the Hopei Provincial Government under Gen. Lu Chung-lin in southwestern Hopei, had been captured by Japanese troops. Gen. Lu was reported to have moved his headquarters to Tsingho, about 40 kilometers southeast of Nankung. Frequent clashes were taking place between Japanese units and Chinese guerillas in various parts of Hopei.

Japanese Hold 59 Hsien Only

The net result of Japanese military operations during the past 16 months is the occupation of only 59 *Hsien* (districts) in nine provinces, according to statistics compiled by the Executive Yuan. The statistics show that there are 796 *Hsien* in the nine provinces, of which 489 or 61.44 per cent are completely under control of the Chinese authorities, 248 *Hsien* or 31.15 per cent partially under control of the Chinese authorities, but only 59 or 7.41 per cent are under complete Japanese occupation.

These 59 *hsien* are :

(1) Kiangsu Province : Wuhsien, Quanshan, Taichang, Chuansha, Nanwei, Chinpu, Paoshan, Yangchung, and Kating.

(2) Chekiang Province : Kashang, and Tunghsiang.

(3) Shansi : Shanyin,

(4) Honan : Linchang, Kushih, and Shangchen,

(5) Hopei : Tsohsien, Lianghsiang, Fangshan, Sungsui, Sungyuan, Tientsin, Ihsien, Tinghsin, Kwenhsien, Tanghsien, Manchen, Yentu, Linsou, Pingshan, Tsaotang, Weiping, Chuyang, Yutien, Lanhsien, Chongli, Lulung, Sienan, Foongyung, Chenghua,

Hsienlung, Ningho, Funing, Linyu, Loting, Tunghsien, Tahsien, Wanping, Chongping, Shunyi, Hweiyuan, Miyuan, Pingku, Soohsien, Sanho Hsiangho, Paochi, Wuchin, and Anchih.

The above statistics compiled in the early part of October, 1938 do not include the municipalities, including Peiping, Tientsin, Tsingtao, Tsinan, Shanghai, Nanking, and Hangchow.

Sponsored by the Japanese military at Nanking, a three-day convention was scheduled for the end of this month to discuss ways and means of organizing an "all-China government." The convention will be attended by delegates from all districts in Kiangsu, Chekiang and Anhwei provinces under Japanese occupation.

To train officers for a puppet army, a "Reformed" military academy will be opened at Nanking on Dec. 10.

To facilitate collection of the newly introduced Business Tax, Nanking has divided Kiangsu province into eight tax-collection areas. The head office, the Kiangsu Business Tax Bureau, is located at Soochow. In each of the eight districts, a branch bureau will be established.

Mass printing of revenue stamps is planned by Nanking officials through the Bureau of Printing and Engraving at Peiping which has been requested to make an initial issue of 1,000,000 stamps for use in areas under jurisdiction of the Nanking regime.

Dissatisfied with Li Chien-nan, a new superintendent for Shanghai Customs was reported to have been appointed. During the recent meeting of the Joint Commission of Nanking and Peiping regimes at Nanking, Wang Keh-min, head of Peiping, made an attack on Li Chien-nan, saying that he had not "done anything" in the Shanghai Customs. With the approval of Lt.-Gen. K. Doihara, chief of the Japanese Army Special Service Section, the Joint Commission decided on the appointment of Nieh Tao-yuan, brother of the puppet Anhwei Governor, Nien Tao-liang, as Superintendent of Shanghai Customs.

In order to prevent disputes among officials of the Nanking regime, Liang Hung-chih, President of the Executive Yuan, and Wang Tze-hui, Minister of Industry, will be appointed to the posts of Chairmen of new puppet Hupeh and Kwangtung Provincial Governments respectively, according to Chinese reports. Chen Lu, Minister of Foreign Affairs, is likely to be appointed Minister to Japan, while Wen Tsung-yao, President of the Legislative Yuan, will serve concurrently as Foreign Minister. No successor to Wang Tse-hui as Minister of Industry has yet been named. These new appointments are expected to be announced after the return of Liang Hung-chih and Wang Tse-hui from their present trip to Japan.

Fearing assassination, Zau Shih-chun Director of the Consolidated Tax Bureau of Kiangsu, Chekiang and Anhwei Provinces with offices located at Kiukiang Road in Shanghai, was reported to have resigned and would be given a high post in Nanking. Sheng Hsiao-yu, a relative of Zau, was mentioned as his successor. Denounced as a traitor, Zau was recently expelled by his family clan at Yuyao in Chekiang, his district.

Shang Yu-chin, head of the terrorist Yellow Way Society, arrived at Shanghai from Nanking, according to Chinese report. Several months ago, Zau departed hurriedly from Shanghai for Wusih and later to Nanking, when the Shanghai Municipal Police issued a warrant for arrest following a series of terrorist incidents organised by him. In Nanking, Shang was made advisor to the Reformed Government and organized another terrorist clique, the so-called "An Ching Hui."

The recently organised Anti-Japanese Boycott Association of Shanghai issued an appeal to all Chinese in Shanghai to boycott Japanese goods. The appeal pointed out that there were many Chinese merchants who had purchased Japanese goods and labelled them with Chinese trade marks. Merchants, who have Japanese goods, are urged to register these goods with their trade guilds and not to purchase any more in the future.

Miss Tsai King-hua, leader of a Chinese guerilla force operating near Tai Hu (Lake) was reported killed on Nov. 7 by the Japanese. Miss Tsai received seven wounds when fighting against the Japanese, according to a report in the *Yih Pao.*

Changsha Burned

The disastrous fire which broke out at Changsha, Hunan capital, on the night of Nov. 12, aroused much speculation. In order to dispel rumors, the Military Council issued a statement, explaining the cause of the fire and decreeing punishment of responsible authorities. Acocrding to the statement, the outbreak of fire was partly due to misjudgement, based on unfounded rumors, on the part of the local military and police officials, and partly due to spontaneous indignation against Japanese aggression on the part of the People's Defence Corps.

Held responsible for the disaster, three ranking officials were executed at Changsha on Nov. 20. They were:

Lt.-Gen. Feng Ti, Gendarmerie Commander of Changsha and formerly Chinese Military Attache in Germany;

Col. Hsu Kun, Commander of the 2nd Regiment of Changsha Gendarmerie Forces; and

Maj.-Gen. Wen Chung-fu, Director of Changsha Police Bureau.

The three officials were tried by a court-martial and found guilty of "dereliction in official duty and bringing disaster to the people." They were sentenced to death.

Gen. Chang Chih-chung, Chairman of Hunan, was dismissed from his office by the Government, but instructed to remain at his post for the time being, pending appointment of a successor. Gen. Chang was Commander of Chinese Forces in Shanghai in August of last year, when hostilities first broke out.

Ningpo Commander Suspended

Lieut.-General Wang Kao-nan, defense commissioner for the Ningpo (Chekiang) district and concurrently director of martial law for the Ningpo-Shaohing area, was suspended from office and ordered to "await punishment." He was charged with granting unauthorized permission for a cargo steamer to pass through the boom at Chenhai at the mouth of the Yung River in eastern Chekiang. Gen. Wang immediately went to Kinhwa and demanded an immediate investigation of the charges against him. Major-General Chang Chu, deputy defense commissioner has been appointed acting commissioner and commander in place of Gen. Wang.

For urgent relief of victims of the fire the Central Government has remitted $200,000 to Changsha. The Hunan Provincial Government has also appropriated $300,000 for the same purpose. 1,000 bags of rice, 500 bags of salt and 100 tons of coal have been transported to Changsha for use of the victims. Order was restored in Changsha by a force of 5,000 workmen who cleared the streets of debris.

In view of the impending battle for the defence of Changsha, the Hunan Provincial Government has been removed to Yuanling, in north-western Hunan.

The Central Executive Committee of the Chinese Communist Party addressed a circular message to Chinese volunteers in Manchuria, urging them to re-double their efforts in resisting the Japanese invaders. Praising the volunteers for their heroic efforts during the past seven years, the message pointed out that national unity had been achieved through the realization of close co-operation between the Kuomintang and the Chinese Community Party. The Communist leaders expressed confidence in the patriotism and co-operation of the North-eastern volunteers and in the ultimate success of the campaign of prolonged resistance.

The Communist Party also cabled a message of encouragement to the leaders of the Spanish Republic, offering its sincere wishes for the success and victory of the Spanish people.

Some 15,000 Manchukuo troops under command of Yu Sen-tseng recently mutinied against the Japanese upon their arrival at Harbin from Tsitsihar in North Manchuria, according to a report in a Russian newspaper in Shanghai. Well-equipped and paid three months in advance, these troops, together with 35,000 others, were sent by the Japanese as reinforcements to North China. Determined not to fight their own countrymen, these Manchukuo troops killed their Japanese officers near Harbin and proceeded southwestward to Jehol to join Chinese guerillas under command of Gen. Ma Chan-shan.

Gen. Li Tsung-jen, well-known Kwangsi Commander, issued a message to the Kwangsi people, declaring that the National Government is determined to continue resistance against the Japanese until victory is won. Urging the people of Kwangsi to make all necessary preparations for protracted resistance, the message said that time is China's best friend and that in a prolonged war, it is the last round that really counts.

Gen. Li Chi-sen, another Kwangsi military leader, was reported to have been appointed Deputy Commander-in-Chief of the Chinese Forces in the 4th War Zone (South China). Gen. Chen Chi-tang, former Commander of Kwangtung Provincial Army, has agreed to accept the post of Commander-in-Chief of Chinese Guerillas in Kwangtung with Gen. Chiang Kuang-nai, formerly Commander of the 19th Route Army, as second in command.

Christian General

Gen. Feng Yu-hsiang, Vice-President of the Military Affairs Commission, was now visiting in Kweilin, Kwangsi capital. Gen. Feng had been entrusted by the Government with the task of inspecting the government troops stationed in the provinces of Hunan, Kwangsi, Kweichow and Szechuan.

Gen. Chang Hsueh-liang, former Manchurian leader, whose movements have been a mystery since the outbreak of the present hostilities, once again attracted the attention of the Japanese. *Domei* report from Korea stated that the "Young Marshal" had been located at Fengshan, sacred mountain in Hunan province. Both the former subordinates of the Gen. Chang and the Communist leaders were said to be demanding his release by Gen. Chiang Kai-shek.

British Ambassador Returns

Concluding his tour of the interior of China during which he interviewed Gen. Chiang Kai-shek in Hunan and the various Government leaders at Chungking, Sir Archibald Clark Kerr, British Ambassador, was returning to Shanghai by way of Hongkong. Sir Archibald denied rumors that he offered mediation in the Sino-Japanese conflict.

British Mediation Fails?

According to a *Domei* report from Tokyo quoting the *Yomiura Shimbun,* the British Ambassador, Sir Robert Craigie sounded Premier Prince Konoye on possibility of British mediation, but Konoye was said to have rejected the offer. The *Yomiura* said the British Ambassador's proposal contained the following four points:

1. Maintenance of the "open door" and equal opportunity principles and safe-

guarding of the rights and interests of foreign Powers in China;

2. "Equal treatment" of foreigners in China;

3. Discontinuance of anti-Japanese agitation and activities in China;

4. Discontinuance of a boycott movement against Japanese merchandise in China.

Wang I-ting, late Shanghai philanthropist, who refused co-operation with the Japanese in Shanghai despite his many years of association with Japanese business interests, was honored by the National Government in a mandate. The Government ordered that a public burial be accorded him and a grant of $3,000 for funeral expenses.

Chen Sons Speak Out

Percy Chen, son of Eugene Chen, former Foreign Minister, in an article in the *Hongkong Daily Express* on Nov. 1, declared that the China United Front was stronger than ever. For young China, he said, there could be no peace and no surrender, but continued struggle until victory was attained. The peace talks were described as mere rumors fabricated by the Japanese in order to demoralize the Chinese people.

Jack Chen, well-known artist and younger son of Eugene Chen, issued a pamphlet entitled "When Will China Win?" The pamphlet was circulated by the ChinaDefense League of Hongkong under the presidency of T. V. Soong and Madame Sun Yat-sen. Mr. Chen's contention was that considering Japan's strength and weaknesses, the question was not "Can China Win? but When?" Mass mobilization and defence was regarded as one of the essential requisites for China's victory.

Fibre Linking Plan Approved

REPRESENTATIVES of the 12 organizations concerned with the production and exports of staple fibre, the staple fibre trade associastion and industrial associations on Nov. 9 met in conference at the Patent Office of the Tokyo Ministry of Commerce and Industry and deliberated upon the operation of the linking system, long under consideration, for staple fibre. The representatives came to an agreement relating to the rough details of the operation policy and obtained the approval of the Ministry of Commerce and Industry, the *Asahi Shimbun* reported.

As the result, the linking system for staple fibre is expected to materialize in the near future. In some quarters, it is claimed that the operation of the staple fibre linking system should be brought back to status of last August, but this proposition is not expected to be accepted by Government quarters because of the opposition on the part of the Ministry of Finance. Further deliberations are expected to be made relating to this point. The staple fibre linking system as decided upon yesterday will not be operated by means of any legal provisions but will be executed autonomously by the staple fibre industrialists.

The special points of the proposed linking system will be as follows:

1. The present system is purely an individual linking system.

2. The processes to be gone through for the operation of the present system are very simple.

3. Export licenses issued by the customs tariff is used as the basis of the linking system.

Further studies will be made for the prevention of the inflow of staple fibre products for export purpose into the domestic market in order to complete the operation of the present system. The new staple fibre linking system is detailed as follows:

1. Imports of pulp by the staple fibre manufacturing companies shall be recognized through the operation of the individual linking system against the exports of staple fibre products made by those companies (with the exception of the shipments to the Kwantung Leased Territory, Manchukuo and China).

2. As a principle, no restriction is to be imposed upon the staple fibre manufactures for export purposes in connection with manufacturing activities.

3. As a principle, sales of staple fibre products for export purposed for the consumption within the yen-bloc territory shall not be recognized.

4. Staple fibre manufactures as herein provided include the folloiwng: Staple fibre yarns (both mixed-spun or mixed with other fibres staple fibre tissues (including mixed with other fibres), staple fibre knitted goods (including those mixed with other fibres), towels and other miscellaneous articles containing staple fibre.

5. Imports of pulp to be made against the exports of staple fibre manufactures shall be licensed on the basis of the following ratio in connection of staple fibre contained in the manufactures: For staple fibre, 135 pounds of pulp for 100 pounds of staple fibre.

For staple fibre yarns, 145 pounds of pulp for 100 pounds of staple fibre yarns. For staple fibre tissues, 160 pounds of pulp for 100 pounds of staple fibre tissues. For staple fibre knitted goods, manufactures thereof or towels and miscellaneous articles containing staple fibre, 145 pounds of pulp for 100 pounds of those manufactures.

6. The time for licensing the imports of pulp against the exports of staple fibre manufactures shall be after the time of the exports of the staple fibre manufactures. Relating to pulp to be imported against the exports of staple fibre yarns mixed in staple fibre tissues, silk tissues, rayon tissues, cotton tissues, miscellaneous textile manufactures, knitted goods, and towels, the time for the imports of pulp concerned shall be after staple fibre yarns are delivered to rayon export associations, cotton export associations, miscellaneous articles export associations, knitted goods companies, towel companies or textile companies.

7. When staple fibre companies desire to sell staple fibre for export purposes, they shall promise, in written documents, such as sales and purchase contracts with the other parties, that the staple fibre manufactures concerned shall be exported within a certain fixed period of time and that the other parties shall, without fail, deliver export licenses to those companies. Those contract activities shall be executed in unified manner from staple fibre companies to exporters. Relating to staple fibre to be used as raw material for staple fibre tissues, silk tissues, rayon tissues, cotton tissues, knitted goods, towels and miscellaneous articles, contracts shall be made that the rayon exports associations, cotton export associations, miscellaneous articles companies, knitted goods companies, towel companies or textile companies shall deliver to the staple fibre companies certificates for receipt of deliveries of goods.

8. In case staple fibre manufactures not related to the foregoing contracts are exported, the imports of pulp against such exports shall also be recognized.

9. Special method shall be adopted for adjusting the import volume of exports of pulp against the exports of staple fibre without exchange or the reshipments of staple fibre manufactures.

10. In applying for the licensing of the imports of pulp against the exports of staple fibre, special methods shall be adopted to clarify the export certification of manufactures and the collection of the payments thereof.

Steel Prices

Prices of various steel materials have advanced greatly in parallel with the general rise of the commodity prices. Scrap iron alone, however, recently recorded a wide-margined fall of Yen 20 per metric ton because of the establishment of the Japan Scrap Iron Sales Control Company. In view of the situation, the leaders of the Japan Steel Materials Association decided, after deliberations at the general meeting of the committee held at the Chuotei in Marunouchi recently, to reduce the prices of steel bars, shapes, plates and wire-rods (base items) by Yen 10 per metric tons and those of steel ingots, billets and slabs by Yen 5, in conformity with the Government policy for the restriction of the prices of major commodities.

Indo-China Markets for Japan Closing

Prevailing high tariffs coupled with an extensive boycott campaign conducted by the Chinese have virtually closed French Indo-China as a market for Japan-made products, according to Ushio Munemura, until recently Consul-General at Hanoi, who arrived in Kobe Nov. 20 on board the Saigon Maru. Prospects of an appreciable Japanese commercial advance in French Indo-China, Munemura observed, would be dependant on a revision of the tariff rates.

Four of the scores of Japanese residents of Hanoi have been given orders to leave the city, he stated. Shipments of British-made arms and ammunition have passed through Hanoi to China since the fall of Canton, Mr. Munemura said.

Arms Import Drops

Significance of a reported order of the French authorities prohibiting all Chinese automobiles, military or otherwise, from crossing the Indo-Chinese border was being studied by the Foreign Tokyo Office Nov. 21. According to a Hongkong press dispatch, the action was apparently taken to stop movements of Chinese military motor lorries from Haiphong, French Indo-China, to Kwangsi Province, which became very heavy since the fall of Canton.

Representatives of the National Government left Hongkong for Haiphong following the fall of Canton to supervise the transportation of war supplies to China by way of Haiphong, the message stated.

Training Ships Here On Visit

Rapid strides towards rehabilitation made along the Whangpoo waterfront were noted by Vice-Admiral Umataro Tanimoto on his "homecoming" visit to Shanghai as commander of the Japanese naval training squadron which arrived here Nov. 21. Reaching port, the cruisers Iwate and Yakumo, with 321 midshipmen aboard, were given an enthusiastic reception by local Japanese residents and official representatives who thronged the former China Merchants' Central wharf, *Domei* reported. The squadron arrived here after calling at Dairen following its departure from Yokosuka on Oct. 20.

The Vice Admiral, who commanded the Japanese Yangtsze Flotilla here until December of last year, told newspaper representatives that the present training cruise was part of an intensive course to allow students to graduate from the Naval Academy in two years instead of the usual four. Moreover, the regular eight-month course, he pointed out, had been cut down to four in order to meet the contingencies required by the present hostilities.

Japan-China Trade Booms as Tokyo Finally Closes the 'Open Door'

Secretary of State Cordell Hull, on Nov. 23, expressed dissatisfaction with Japan's reply to the American note of Oct. 6, said Tokyo was not responsive to the American government's position as set forth in the note, nor to the general position which the United States had adopted throughout its history regarding American rights and interests and in its relations not only with China but all other countries.

WITH the Yangtsze River—the trade artery of China—open only to commercial traffic for Japanese vessels, and the most important ports of the country under Japanese control, Japan's trade with China is showing just what Japan expected it to do: the most phenomenal growth in the history of the two countries' relations.

Meantime, with the use of rivers and railways barred to them, with annoyances and restrictions meeting them in ports of entry on the sea coast, American, British, French and German traders are being "left out in the cold," with only scraps of trade being allowed them in isolated spots. In some cases, necessity—a question of life or death in their businesses—have forced some foreign traders to capitulate to the Japanese, accepting them as the "middleman" in their dealings with the Chinese. But even many of them have said that they realize that this "cooperation" is short-lived, and that the day is coming when they, too, will be forced to abandon their Far Eastern interests.

While indications for nearly a year have been that the "open door" was gradually being shut, today in the Orient there are none who entertain the slightest doubt that the "open door" is now definitely closed. The question now on the lips of the majority of foreign merchants is: how long will we last? How far off is the day when America, Great Britain and France will see the last of the trade stakes in the Far East swallowed by Japan?

In the interior cities under Japanese occupation, Chinese can buy only Japanese goods. If it were possible for a foreign merchant to transport his goods to these places, prohibitive tariffs, and special taxes would make it impossible for him to market them. Duties of 300 to 400 per cent on American and British goods are not uncommon.

Such barriers as these to foreign trade have been responsible for the tremendous increase in Japan's trade in Japanese-occupied areas where in the period from January to September, of this year, Japanese exports have increased $94,000,000 over the same period of the previous year. According to Tokyo's Finance Ministry, the gain is attributed to the gradual restoration of peace and order in North and Central China under Japanese military control. Total value of goods shipped by Japan to China this year is $169,000,000.

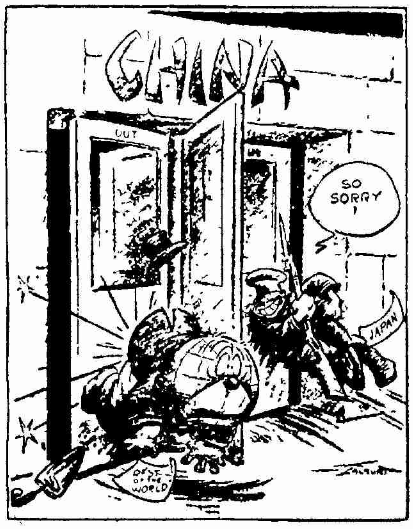
During October, China was the biggest buyer of Japanese products, with exports totalling 33,483,000 yen out of a favorably balance of 79,675,000 experienced by Japan in her trade with Manchukuo, the Kwantung Leased Territory, China and Hongkong. Exports for this period totalled Yen 111,923,000 while imports were Yen 32,248,000. Manchukuo topped the list in her sales to Japan with Yen 17,789,000 with China placing second at Yen 10,353,000 the announcement stated.

The Growth

Japan's exports to China in August topped all other countries with a total of $23,825,000 while the United States, Germany and Great Britain followed in the order named. Covering areas which are not yet under Japanese control, Japanese imports into China showed a grand total of $130,000,000. The following table shows China's imports from and export to different countries in the first nine months of this year. :

Country	*Imports*	*Exports*
Japan	$130,942,000	$90,896,000
U.S.A.	119,563,000	59,218,000
Germany	90,356,000	41,489,000
Britain	57,401,000	39,803,000
Dutch East Indies	14,065,000	4,602,000
Kwantung Leased territory	27,746,000	23,571,000
Siam	24,314,000	3,949,000
Annam	23,948,000	10,862,000
Hongkong	18,798,000	189,420,000
France	16,009,000	14,291,000
Italy	15,733,000	1,079,000

These figures show the trade through September. However, since then both Canton and Hankow have fallen, and Hongkong has lost its importance as a transshipment point. In the three remaining months of the year, a drastic fall in the trade of foreign countries will come as no great surprise.



N. Y. World-Telegram

Out you Go!

Japan enjoys an unchallenged monopoly on every inch of China trampled on by her troops or within sight of her naval guns. With the Yangtsze closed, she holds the whip hand, and as long as it remains closed, the Western merchant is handcuffed. The Japanese Government's official contention, communicated to London, Paris and Washington on Nov. 14, that the Yangtsze River was closed to all but men-of-war, was belied by numerous advertisements appearing in local Chinese newspapers.

These advertisements, inserted by Chinese agents of Japanese shipping concerns, offered to transport goods and passengers to any port below Kiukiang "safely and speedily." A survey conducted by *The China Press* revealed the following outstanding facts, the knowledge of which may vitally affect the Great Power's policy on the matter:

1. Japanese merchant ships are plying freely in the Yangtsze;
2. No Japanese cargo or passenger, despite Tokyo's allegation that the river is still infested with mines, has met with any mishap; and
3. Japanese shipping firms are now enjoying in effect a monopoly on Yangtsze shipping as a result of Tokyo's refusal to open the river to third-power merchantmen.

Japan Advertises

The advertisements of these Chinese agents have been appearing regularly in at least one vernacular paper. Altogether, there are half a dozen such agencies. They include the transportation department of the "Eastern Asia Industrial Company," the "Yung Lee Transportation Company," the "Tai-koo Chong Transportation Hong" and the "Hin Kee Water and Land Transportation Company." The advertisement of the Eastern Asia Company claims that the company specializes in shipping cargoes to Nanking, Wuhu, Chinkiang, Kiangyin, Kiukiang and Anking, and that it will obtain all necessary passes from Japanese authorities for the customers.

Chinese merchants who wish to contact these advertisers for information concerning the shipping of their cargoes can do so by telephone. Rate estimates would be quoted to customers over the wire, although final arrangements are dependent upon a personal inspection of the goods by a representative of the shipping agency. To ship a bale of cotton to Wuhu, for instance, would cost approximately $11 per ton. The quoted rates, however, are by no means final and may be lowered through bargaining.

Another arrangement is that no money need be paid by the Shanghai shipper. Since all of the agencies mentioned above claimed they have branches in the up-river ports, freight charges on the cargo may be collected at the other end of the line. One significant thing about these Chinese agencies was that none of them knew—or at least would reveal—the name of the ship which would carry the cargo up-river. They confirmed, however, that all of the ships in such service are Japanese vessels. No agency could give the time required for bringing the goods to any of the specified ports. Shipping circles were of the opinion that since the Japanese military might requisition any Japanese commercial vessel, delays are quite explainable

All reports indicated that Japanese vessels, not exclusively men-of-war, had been plying the Yangtsze River as far west as Kiukiang, carrying cargoes for at least Chinese shippers. This is a direct contradiction of the Japanese official statements that navigation on the Yangtsze is only possible for military purposes. This contention was made by the Japanese Government in its replies to Britain, France and the United States which recently demanded the reopening of the Yangtsze river to foreign shipping.

What U.S. Demanded

The American note, which was handed on October 6 to Premier Prince Ayamaro Konoye, who was then concurrently acting as Foreign Minister, by Mr. Joseph Grew, U. S. Ambassador in Tokyo, was the strongest of the three notes, and was the second American note to the Japanese.

The document was characterized by an unprecedented sharpness of its terms and the listing of numerous instances of violation of the "Open Door" principle by the Japanese Army and its puppet regimes.

What Japan Gave

On Nov. 18, the Japanese government answered the American note of Oct. 6. The reply said that Japan has no intention of impairing the rights and interests of American citizens in China or discriminating against their enterprises. The Japanese Government, the lengthy note declared, does not oppose but "welcomes heartily" the participation of Third Powers in China on the basis of the " new situation that has arisen."

" It is the firm conviction of the Japanese Government that in the face of the new situation, fast developing in East Asia, any attempt to apply to conditions of today and tomorrow inapplicable ideas and principles of the past neither would contribute toward the estbalishment of real peace in East Asia nor solve immediate issues," the note declared. The Japanese Government has every intention of fully respecting American rights and interests in China and has been doing all that could possibly be done in that behalf."

It was unavoidable, the note further declared, that military operations should occasionally present obstacles to " giving full effect " to the Japanese Government's intention to respect the rights and interests of American citizens. Japan at present was devoting her energy to the establishment of a " new order based on genuine international justice throughout East Asia." The new regimes being formed in China were prepared to welcome foreign participation in " reconstructing East Asia," the note assured the American Government.

The Text

The full text of the Government's reply follows :

" I have the honor to acknowledge receipt of Your Excellency's note number 1,076 dated Oct. 6 addressed to the then Minister of Foreign Affairs. Premier Prince Ayamaro Konoye, concerning the rights and interests of the United States in China.

" In the note are cited various instances based on information in the possession of the Government of the United States that Japanese authorities are subjecting American citizens in China to discriminatory treatment and violating the rights and interests of the United States.

" I have now the honor to state hereunder the opinions of the Japanese Government with regard to these instances.

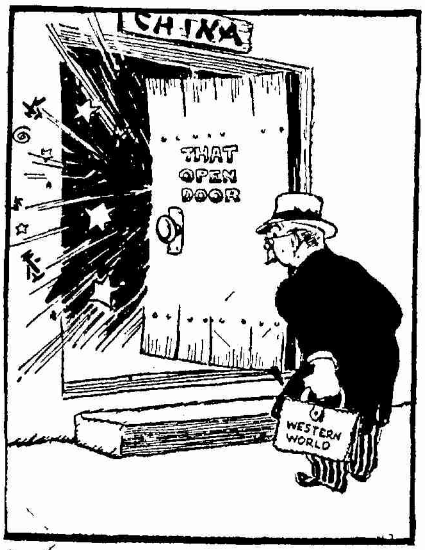
" Firstly, the circumstances which led to the adoption of the present measures concerning exports and exchange in Tsingtao and the present situation being, so far as the Japanese Government are aware, as set forth below, they consider that those measures cannot be construed as constituting any discrimination against American citizens. A short time ago the Federal Reserve Bank of China was established in North China, whose notes with an exchange value fixed at one shilling, two pence against one yuan have been issued thus far to the amount of more than $100,000,000 and are widely circulated.

" These bank notes, being compulsory currency of the Provisional Government, maintenance of their value and their smooth circulation are regarded as an indispensable base for the conduct and development of economic activities in North China. Consequently the Japanese Government have taken a co-operative attitude and all Japanese subjects are using the said notes and in their export trade are exchanging them at the rate of one shilling, two pence.

" On the other hand, the old notes still circulating in these areas have depreciated in exchange value to about eight pence per yuan. Consequently those who are engaged in export trade and are using this currency are enjoying illegitimate profits as compared to those who use the Federal Reserve notes and carry on legitimate transactions at a legitimate rate of exchange : that is to say, Japanese subjects who use the reserve notes have been suffering an unreasonable disadvantage as compared with the persons who, while residing and carrying on their business in the areas under the jurisdiction of the Provisional Government of North China, use nevertheless the old ' fapi ' exclusively.

"Furthermore the existing before mentioned disparity in the exchange value between the new notes and the old ' fapi,' which the Federal Reserve Bank has been exchanging at a rate not very much below par, is bound to exert an unfavorable effect upon the exchange value of the new notes and eventually upon the exchange value of the Japanese yen. The Japanese Government feel it is incumbent upon them not to remain indifferent to such a situation. Export exchange measures adopted in Tsingtao are calculated to place users of old Chinese currency who have been obtaining unfair profits on an equal footing with those who are using Federal Reserve notes. These measures are also intended to protect the exchange value of Federal Reserve Bank notes.

" Inasmuch as the application of measures makes no differentiation according to nationality, they cannot be considered as discriminatory measures. As a matter of fact, it is through these measures that those users of Federal Reserve notes who had, in a sense, been discriminated against have been placed on an equal footing with others and were thus enabled to compete on a fair bases. Secondly in North and Central China, new Chinese regimes some time ago effected revisions in the Customs tariff in an attempt to secure rational modification of the former tariff, enforced by the Kuomintang government, which was unduly high and ill-calculated to promote the economic recovery and the general welfare of the Chinese people.



Morris, in Jersey Journal

" However, the schedule actually adopted for the time being is one approved by the Powers in 1931 so that no complaint has been heard from foreign residents of any nationality on the spot. The Japanese Government are, of course, in favor of the purpose of the said revision believing that it will serve to promote effectively the trade of all countries with China.

" Thirdly, as for the organization of certain promotion companies in China, the restoration and the development of China's economic, financial and industrial life after the present affair is a matter of urgent necessity for the welfare of the Chinese. Moreover, the Japanese Government are deeply solicitous for the early inauguration and progress of work having for its object this restoration and development for the sake of the realization of a new order in East Asia and are doing all in their power in that direction. The North China Development Company and the Central China Development Company were established with a view to giving China the necessary assistance towards the said restoration and also with the aim of contributing towards the development of China's natural resources.

" It is far from the thoughts of the Japanese Government to impair the rights and interests of American citizens in China or to discriminate against their enterprises. The Japanese Government, therefore, do not oppose but welcome heartily the participation of Third Powers on the basis of the new situation that has arisen. Telecommunication companies in North and Central China ; an inland navigation steamship company at Shanghai and a wharfage company at Tsingtao have also been established to meet the imperative need of an early restoration of communications, transportation and harbor facilities.

" With the exception of telecommunications enterprises, which because of their obvious relation to the maintenance of peace and order and national defense, as well as because of their public character, all these enterprises are turned over to concerns that are ordinary Chinese or Japanese juridical persons without any intention of allowing them to reap monopolistic profits by discriminating against America or any other Power.

Wool and Tobacco

" As regards the wool trade, while the control of purchasing agencies was enforced for a time in the Mongolian region, it has since been discontinued. There is no plan, at present, of any sort for establishing a monopoly in tobacco. Fourthly concerning the return of American citizens to the occupied areas, Your Excellency is aware that in North China there is no restriction excepting in very special cases where the personal safety of those who return would be endangered, while in the Yangtsze Valley, large numbers of Americans have already returned.

" The reason why permission to return has not yet been made general is, as repeatedly communicated to Your Excellency, due to the danger that persists because of the imperfect restoration of order and also to the impossibility of admitting nationals of Third Powers on account of strategic necessities such as the preservation of military secrets. Again various restrictions enforced in occupied areas concerneing rsidence, travel, and enterprise of trade of American citizens constitute the minimum regulations possible consistent with military necessities and local conditions of peace and order. It is the intention of the Japanese Government to restore the situation to normal as soon as circumstances permit.

" Fifthly, the Japanese Government are surprised at the allegation that there exists a fundamental difference between the treatment accorded to Japanese in America and the treatment accorded to Americans in Japan. It is true that in these days of emergency, Americans residing in this country are subject to various economic restrictions, yet these are, needless to say, restrictions imposed not upon Americans alone but also on all foreigners of all nationalities as well as upon the subjects of Japan.

" I beg to reserve for another occasion a staetment of the views of the Japanese Government concerning the treatment of Japanese subjects in American territory referred to in Your Excellency's note. As explained above, the Japanese Government, with every intention of fully respecting American rights and interests in China, have been doing all that could possibly be done in that behalf. However, since there are in progress at present in China military operations on a scale unprecedented in our history, it may well be recognized by the Government of the United States that it is unavoidable that these military operations should occasionally present obstacles to giving full effect to our intention of respecting the rights and interests of American citizens.

" Japan is at present devoting her energy to the establishment of a new order based upon genuine international justice throughout East Asia, the attainment of which end is not only an indispensable condition for the very existence of Japan but also constitutes the very foundation of enduring peace and stability in East Asia. It is the firm conviction of the Japanese Government that in the face of a new situation, fast developing in East Asia, any attempt to apply to conditions of today and tomorrow inapplicable ideas and principles of the past neither would contribute toward the establishment of reàl pecae in East Asia, nor solve immediate issues.

"However, as long as these points are understood, Japan has not the slightest inclination to oppose the participation of the United States and other Powers in the great work of reconstructing East Asia along lines of industry and trade; and I believe that the new regimes now being formed in China are prepared to welcome such foreign participation."

Britain's Attitude

While Washington studied Japan's reply, the subject of the closed Yangtsze was a subject of debate time and again in the House of Commons. On Nov. 18, *Reuter* reported that the British government was in no way inclined to accept Japan's reply on the river's blockade. On that day, the British government was reported consulting with France and the United States with a view of the procedure now to be adopted in this and other matters.

"There is ground for believing that the patience of the British Government is beginning to be severely strained by the continual failure of the Japanese in China to honor their Government's repeated promises to respect foreign rights, and means of applying pressure on Japan more effectively than by mere verbal protests are under consideration. It is known that several M.P.'s, who have specially interested themselves in Far Eastern affairs, are increasingly dissatisfied and are in favor of the stronger measures, which undoubtedly Britain can command if the government decides upon such a policy.

Commenting on Japan's reply refusing to- reopen the Yangtsze, authoritative circles point out that the contention that Japanese steamers on the Yangtsze are only carrying military necessities is scarcely in accord with the regular advertisements in Chinese newspapers giving passenger fares and times of sailing of Japanese steamers. They add that Japan's contention, that she has never been able since December, 1937, to spare the necessary labor to open the Kiangyin boom for more than one ship to pass, is equally unacceptable, since it has been repeatedly pointed out that other nations are able and willing to undertake the task of removing the boom.

Railway Strangle

Nippon's strangle-hold on foreign-financed railways is one of their newest moves in ousting the foreign merchant. On Nov. 21, a spokesman of the Japanese Embassy at Shanghai, said that the situation in regard to the Shnaghai-Nanking and Shanghai-Hangchow-Ningpo Railway remains unaltered, when he was asked whether the Japanese authorities had refused the administration of the two lines permission to have the property inspected.

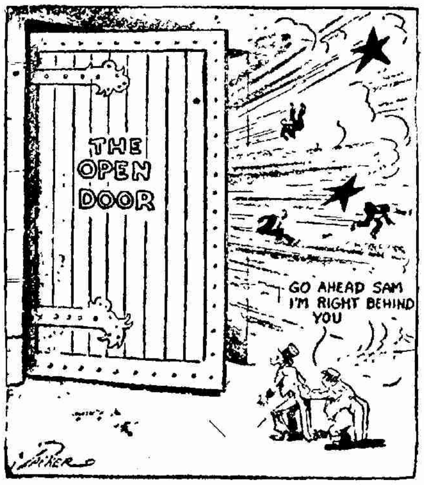
Asked whether permission would be given for inspection of the railways by foreign inspectors appointed by the Administration, should a request be made now, the spokesman said that the question was "too hypothetical to be answered." Evasions and denials by the Japanese authorities notwithstanding, *The China Press* learned yesterday of further cases in which merchandise intended for civilian trade only was being transported by rail between Nanking and Shanghai, and the information came from sources the authenticity of which cannot be doubted.

Within the last month heavy consignments of wheat, rice, beans and fresh eggs have been brought to Shanghai from the former capital, and although they had to be booked through Japanese-operated firms, they were destined for Chinese, and in one case foreign merchants. In addition to these, there has been a steady, and increasing trickle of other primary products from the Nanking area.

Press Comments

All Shanghai papers, including the *China Press*, the *Shanghai Evening Post & Mercury*, the *China Weekly Review* and the *North China Daily News* have commented bitterly on the continuing blockade of the Yangtsze to foreign trade. The *Yi Pao*, a Chinese language daily, is equally condemning. The *Yi Pao* said:

"In order to secure an understanding with Britain, the United States, and France and to reduce as much as possible the assistance given to China by these three powers, the Japanese made the promise that after the fall of Hankow, the Yangtsze would be reopened to international shipping.


THE OPEN DOOR
GO AHEAD SAM I'M RIGHT BEHIND YOU

New York Daily Mirror

"Short-sighted foreigners in Shanghai took this promise seriously and hoped that prosperity would soon be revived. This sweet dream entertained by a small section of the foreign business community, however, has not come true. The Chinese troops withdrew from Hankow in accordance with their plans, but no hope of an early resumption of shipping services in the Yangtsze is in sight. While the Japanese shipping companies are allowed to send ships to Hankow, ships of other nationalities were not allowed because of military reasons.

"We have commented repeatedly on the real purpose of Japanese military operations in China, the journal said, and pointed out that the ultimate objective of the Japanese authorities is to destroy China and to monopolize the China market. In the past sixteen months of fighting, no third party trade interests have been permitted to thrive in the occupied areas and indeed, it would be totally meaningless, if the Japanese should permit this to be done, after the great cost to themselves in manpower and material resources."

Under the present situation, the *Yi Pao* concluded, British, American and French trade interests have already been ruined and if they are to thrive again, it will only be possible when China wins the war. It is to be hoped that the British, American and French authorities will translate their protests in words into protests in deeds, to check the Japanese aggressive actions.

Japanese Control Canton Customs

Japanese authorities have extended control over the Chinese Maritime Customs in Canton as a result of a conference between B.E.F. Hall, newly appointed Commissioner of Customs, and Japanese military and consular authorities Nov. 19. Customs authorities were said to have completed the negotiations in such a way as to avoid unnecessary friction.

Japanese authorities opened negotiations Nov. 9 and the matter was referred to Sir Frederick Maze, Inspector-General of Chinese Maritime Customs, at Shanghai. Final action was delayed until the arrival in Canton of Hall Japanese military representatives, accompanied by T. Matsudaira, Vice-Consul, visited Hall and after he had received instructions from Sir Frederick he agreed to the Japanese extension of control over the Customs.

Japanese officials proceeded to examine bank deposit, account books and important documents of the Customs Administration in order to take steps to prevent the transfer of customs revenue to the National Government. The Japanese authorities were ready to issue passes to Chinese officials and employes of the Customs to provide assurances of their safety if necessary, they stated. Customs officials were said to be satisfied with the Japanese attitude.

Radio Station

Along with the reconstruction of electric and water power plants in Canton a radio broadcasting station will be opened soon after the arrival of 15 technicians of the Taihoku Broadcasting Corporation, *Domei* reported.

Rail Stores

Large quantities of railway material stored by the Chinese along the Canton-Hankow railway facilitated the restoration of the line between Wuchang and Sienning, Japanese Army engineers told *Domei* recently. The first train to make the 88-kilometer run between Wuchang and Sienning airrved in Sienning five hours after its departure from the northern city. Repairs to 20 breaks in the line, caused by the retreating Chinese, were repaired in 10 days.

Large quantities of railway material and rolling stock were abandoned by the Chinese in their retreat at various stations on the way between Wuchang and Sienning, Japanese said.

Varnum Heads New Legion Post Here

Harry C. Varnum, well-known American ex-serviceman and resident of Shanghai for many years, was elected commander of the recently organized U.S.S. Panny Memorial Association of World War Veterans, at the first annual meeting of the organization, held Nov. 22 at the U.S. Fleet Reserve Rendezvous, 106 Peking Road. Charles Hess was chosen vice-commander while Frederick W. Daly was named adjutant. Other officers elected were Leon Anderson, finance officer; W. D. James, service officer and L. Chiurco, master-at-arms.

All of the men chosen to head the new organization are Old China Hands, having served with American services in this part of the world for many years. The association, it is underxtood. already has a membership of 70 while 30 more are expected to enroll before the end of the current year. The U.S.S. Panay Memorial Association was started last April by a group of ex-service men who felt the need for an American Legion in Shanghai devoted to the interests of members of the navy and marine corps.

Are Japan's Reactionaries Plunging the Government Toward Disaster?

*By T. A. Bisson, with the aid of the Research Staff of the Foreign Policy Association**

WITH the Sino-Japanese war in its second year, two major aspects of Japan's internal polity have assumed increasing importance. Framed in terms of Japan's ability to continue the war, the following questions naturally arise. Does there exist political opposition within Japan, either active or potential, sufficiently strong to force cessation of the military campaign in China? Is Japan's economic position soon likely to become so vulnerable as to cripple its prosecution of the war? These questions are closely interrelated; neither may be answered without reference to the other. For purposes of analysis, however, they may be treated separately before stating conclusions which must in any case remain somewhat tentative.

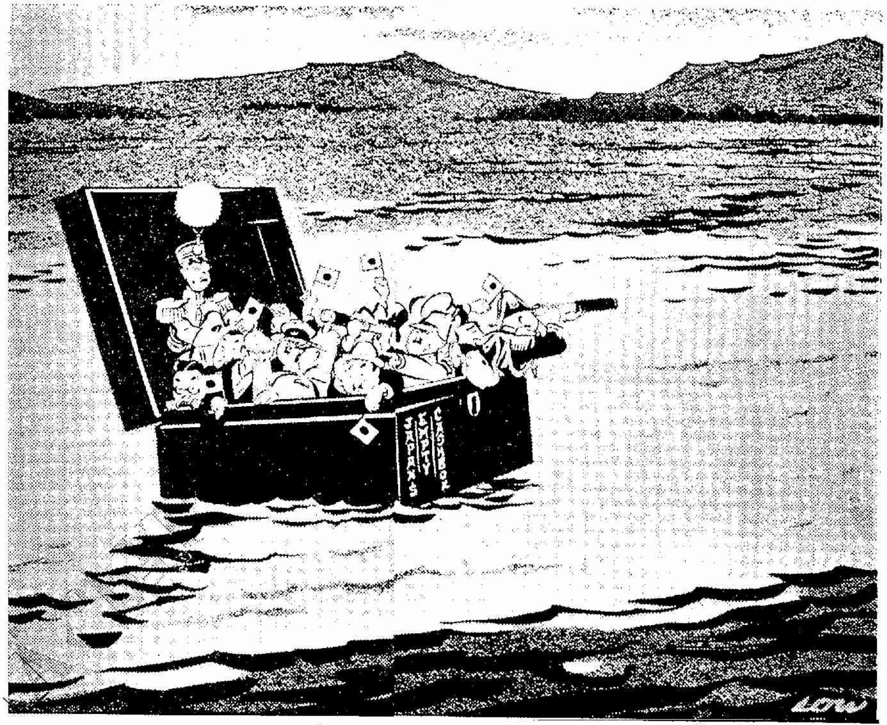
The first question must be considered in the light of Japan's recent political evolution, which constitutes a sharply defined historical period. Reorganization of the Japanese Cabinet on May 27, 1938, following passage of the National Mobilization Bill by the Diet in March, climaxed a drive toward dictatorship in Japan which had progressed with but one major interruption since 1931. At the outset of this drive. parliamentary government had achieved its fullest expression in Japan. Complete democracy was still checked by a number of factors, such as the extensive powers of the House of Peers and the Privy Council, certain prerogatives of the Army and Navy, the influence of the court circle, and limitations on the powers of the House of Representatives. Nevertheless, from 1929 to 1931, a single-party Cabinet, supported by a large Minseito majority in the lower house of the Diet, held the reins of government and pursued relatively liberal policies in domestic and international affairs. Seven years later a military-fascist Cabinet, from which party representatives as such were excluded, had begun to apply provisions of a law giving it virtually unlimited control over Japan's economic and political life.

1931-1936

The assault on Japan's parliamentary institutions was carried out in two waves. A sharp initial attack, resulting in the rapid overthrow of two Cabinets, occurred between September 18, 1931 and May 15, 1932. A second and more decisive offensive has taken place since the assassinations which featured the military uprising in Tokyo on February 26, 1936. Between these periods, there was a marked recession in the military-fascist drive, during which the bourgeois-democratic elements were apparently retrieving their position.

While outwardly strong, the position of the Minseito Cabinet in the late summer of 1931 was already seriously undermined. Economic retrenchment, industrial rationalization, and restoration of the gold standard—conservative measures formulated by the Minseito government at the height of the boom in 1929—accentuated the crisis which gripped Japan in 1931 as a result of the world depression. During these two years, Japan's foreign trade was nearly halved and agricultural production had declined by more than one-third. These conditions were alienating the government's capitalist supporters, important sections of which were beginning to clamor for re-imposition of the gold ban and inflation. Widespread unemployment among the workers, intellectuals and lower middle classes, and the serious agricultural situation, were generating forces of popular unrest. Fertile ground was thus provided for the propaganda unleashed by the military-fascist elements, smarting over their failure to prevent ratification of the London Naval Treaty of 1930. Taking full advantage of this strategic position, they attacked the "corrupt alliance" between the capitalists and the parties, inveighed against armaments reduction, excoriated the "weakness" of Foreign Minister Shidehara's "friendship policy" toward China, and demanded establishment of a "national socialist" state which would assume control of industry and finance, end the rural crisis, and crush the "Red menace."

A Gloomy Horizon



Ken Magazine

Twilight on the Yangtsze

This propaganda campaign was mainly directed by a new group of army officers, coming from families of small landowners, well-to-do farmers and the urban petty bourgeoisie, who were gradually breaking down the traditional monopoly of the higher army posts enjoyed by the Choshu clansmen. By 1930-1931 Generals Muto, Araki and Mazaki, the leading representatives of the military-fascist school, were already establishing their control over the Supreme War Council. In the lower ranks of the army, they were powerfully supported by the so-called "young colonel" movement, which included such men as Doihara, Ishihara and Itagaki. As unrivaled outlets for propaganda, they had at their disposal the Ex-Servicemen's Association, with some three million members, and a host of patriotic, terrorist, espionage, and strike-breaking societies. Some of these, such as the conservative *Kokuhonsha* (Society of the Foundations of the State), headed by Baron Hiranuma, included in their membership leading capitalists, government officials, and judges, as well as high military and naval officers. Jealous of their leadership monopoly, however, the extremist officers never encouraged the fusion of these diverse reactionary elements into one united movement.

In the effort to achieve their aims, the army extremists relied on direct action as well as propaganda. Throughout the era since 1930, they have constantly resorted to one or the other of two well-tried techniques: terrorism and coup d'etat at home, and independent military action in China. In this respect, the shooting of Premier Hamaguchi in November 1930 heralded the approaching storm. A military conspiracy, discovered and crushed in March 1931, was hushed up by the authorities. With independent action by the army in Manchuria, taken on the night of September 18, 1931, the military-fascist movement was fairly launched on its career. Popular support was whipped up for the Manchurian campaign. Two more military conspiracies occurred in rapid succession. The position of the Minseito Cabinet soon became untenable, and on December 11 it fell.

The new Seiyukai Cabinet, headed by Tsuyoshi Inukai, immediately satisfied the business interests by reimposing the gold ban and devaluing the yen. General Sadao Araki, ideological leader of the army extremists, was made War Minister. On the other hand, Premier Inukai was a party man, and in the general election of February 20, 1932 the Seiyukai won a handsome majority in the Diet. The extremists were still confronted with a strong party government, which Araki was in no position to dominate. The terrorist campaign continued unabated. The *Ketsumeidan* (Blood Brotherhood League), which had marked a long list of capitalists and liberal statesmen for death, assassinated Baron Takuma Dan, managing director of the Mitsui interests, and Junnosuke Inouye, ex-Finance Minister in the Minseito Cabinet. On May 15, 1932 the climax was reached in a military coup d'eat, aimed at seizure of the reins of government, which resulted in the death of Premier Inukai.

In the ensuing Cabinet, formed May 22, 1932, General Araki retained the War Ministry. More important, the military-fascist leaders also blocked the formation of a party government. The Premiership was given to Admiral Saito, a non-party man, and the party leaders secured only five

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**From "Japan's Home Front," in the September issue of the Association's pamphlet.*

portfolios. Prince Saionji, last of the Elder Statesmen, had for nearly a decade consistently supported the bourgeois-democratic trend toward responsible government. Utilizing his strategic power to nominate the Prime Minister, he had chosen party leaders to head the government in six successive Cabinets. He now abandoned this practice, and the Saito Cabinet represented a return to the earlier tradition of super-party government. While making this formal concession, Prince Saionji actually achieved certain practical gains. Admiral Viscount Saito, the new Premier, was a convinced moderate, with a high reputation as an administrator. The Finance Minister, Korekiyo Takahashi, was a conservative financier of prestige and ability, and also constituted a bulwark against the army extremists.

Over a period of nearly four years under this Cabinet and its successor, formed on the same basis with Admiral Okada as Premier in July 1934, the military-fascist advocates gradually lost ground in domestic politics. In China they moved steadily forward, organizing Manchukuo on a " state socialist " basis under their control, seizing Jehol province in March 1933, invading North China two months later and forcing signature of the Tangku Truce—which threw the Peiping-Tientsin area open to Japanese penetration. The conservative capitalist elements in Japan, however, were not opposed to these steps. Noting the ease with which Manchuria had been seized, they quickly rallied to support of the army's initiative in aggressions on China. They were mainly concerned that the advance should not proceed too recklessly, or end in a " big war " for which adequate diplomatic and financial preparation had not been made.

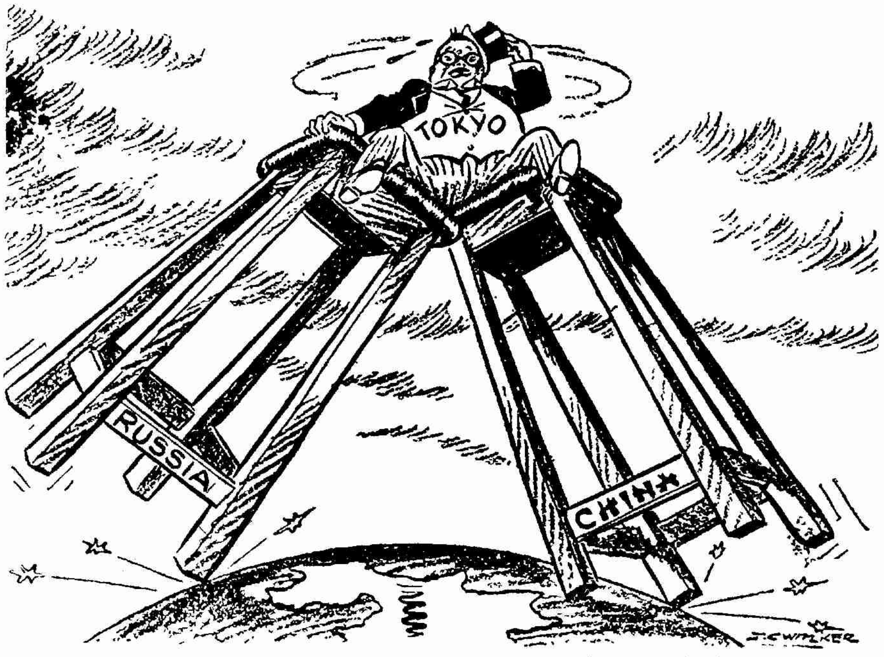
On the home front, matters stood on quite a different basis. The capitalist groups struggled bitterly against the army's pretensions to a monopoly of political control. Throughout the period spanned by the Saito and Okada Cabinets, they clung tenaciously to the positions which they had won in the state apparatus as a result of the growth of capitalism in Japan during and after the World War. In so far as their domestic program was concerned, the army extremists at no time enjoyed the support of more than a small fringe of capitalist concerns during these years. As the period drew toward its close, it became clear that their influence was on the wane within Japan. General Araki had resigned from the War Ministry early in 1934; Finance Minister Takahashi, while permitting increases in the military-naval budgets, kept them within limits; in the Privy Council and the court circle, officials reflecting the bourgeois interest continued to hold all leading posts. Indeed, Baron Hiranuma, groomed by the military for a fascist Premier, was ostentatiously passed over in choosing a president of the Privy Council, although as vice-president he was entitled by precedent to the post.

Popular sentiment had also deserted the extremists and swung over to support of a moderate program. The general election of February 20, 1937 returned a large majority for the Minseito, the more liberal of the two major parties; while the Shakai Taishuto (Social Mass Party), which gained 18 seats in the House of Representatives, emerged as an important progressive bloc in the Diet. Slightly to the left of the Social Mass Party, the Tokyo proletarians or " legal leftists," headed by Kanju Kato, succeeded in electing three members to the House. With such a Diet, a swing back to party government became a logical possibility.

This optimistic picture was not without its darker shadings. Relatively light sentences had been meted out to the terrorist assassins; in the course of the trials, it was made evident that the army extremists were still able to stir up fanatical elements among the populace by their vicious harangues. During the so-called " Minobe controversy," the army leaders forced the Okada Cabinet to place a ban on the writings of this famous liberal constitutional jurist. Ultimately, Okada was made to issue a government statement " clarifying the national polity," which rejected Dr. Minobe's interpretation of the Emperor as an " organ of the state " and laid down the principle that the Emperor comprehended the state within his godhead. This harking back to a reactionary feudal ideology was in itself significant; at the same time, the ideological shafts were aimed at a specific political target—Baron Kitokuro Ikki. This was the man who had been chosen instead of Hiranuma as president of the Privy Council; he shared and had in the past expressed the same liberal constitutional views as Dr. Minobe.

When General Araki resigned, his place at the War Ministry had been taken by General Hayashi. In the summer of 1935, the latter proceeded to carry out a " purge " by transferring extremist officers from key posts—starting with General Mazaki, Inspector-General of Military Education. On August 12, 1935 the army officer in charge of personnel shifts was assassinated by an underling. As a result of this affair, General Hayashi resigned and was replaced at the War Office by General Kawashima, who called a halt to the purge. Turning to China, the army extremists next sought to induce the Cabinet to acquiesce in a move to detach the five northern provinces from Chinese control. For a time Foreign Minister Hirota supported this five-province " autonomy " movement; in November 1935, however, when the opposition in China and abroad became serious, he adroitly disavowed Major-General Doihara—an extremist officer who was handling the affair.

"Honorable Climb-Down Very Difficult"



South Wales Echo, Cardiff, Wales.

Japan Between Two Stools

Coming at this time of continued but indecisive political struggle, the results of the general election of February 20, 1936 shocked the military-fascist leaders into a realization that the tide had turned against them. Their response was the largest and most bloody coup d'etat which Japan had yet witnessed. On the early morning of February 26, some 1,400 soldiers and officers of four regiments revolted, occupied the mid-sections of Tokyo, and assassinated four officials: Admiral Saito, then Lord Keeper of the Privy Seal; Finance Minister Takahashi; General Watanabe, Inspector-General of Military Education; and Colonel Denzo Matsuo, who was mistakenly thought to be Premier Okada. Until February 29 the insurgents continued under arms in the heart of Tokyo; they were finally disarmed only after Imperial intervention. While this insurrection failed to bring the extremists to power, it decisively altered the immediate political outlook and ushered in a new period of advance by the fascist movement.

Fascist Offensive

The military revolt forced a general realignment in both the civilian and military camps. On the side of the army leaders, the effect was obvious—a sudden and sharp diminution in the influence and authority of the extremist faction. A voluntary " purge," in which the seven ranking generals on the Supreme War Council resigned, was carried through on March 7. Several of these officers were appointed at once to executive posts, but not Araki or Mazaki. The latter, indeed, was kept under detention for eighteen months. Most of the lower officers who had directly participated in the revolt were court-martialed and shot—a sharp contrast to the handling of the previous cases involving " patriotic " assassins. A new military group, headed by Generals Terauchi and Sugiyama, took over the army reins. These men suspended or transferred a considerable number of texremist officers, and in turn fastened the control of their own clique on the army.

Basic changes that had gradually occurred in the Japanese economy since 1931 disposed the business groups to respond favorably. The growing armaments expenditure had markedly increased the proportionate share taken by heavy industry in Japan's industrial production. In 1931, out of a total industrial production of Yen 5,178,130,000, the textile industries accounted for Yen 1,926,800,000, or 37.2 per cent, while the metallic, machine and tool, and chemical industries took Yen 1,745,990,000, or 33.7 per cent. By 1935 total industrial production had risen to Yen 10,836,890,000. Of this amount, however, the same heavy industries took Yen 5,158,140,000, or 47.2 per cent, while textiles took only Yen 3,352,560,000, or 30.9 per cent. In Japan's great banking-industrial-commercial houses, such as Mitsui and Mitsubishi, the leaders of the heavy industrial enterprises achieved a greater measure of influence. These men naturally tended to cooperate with the army program to a greater extent than the leaders of the light industries, which depended on export markets and an uninterrupted flow of international trade. The change was even clearer in the case of the Nissan interests, headed by Yoshisuke Aikawa, the heavy industries of which had mushroomed into a rival of the old-established houses during the armaments boom since 1931. Aikawa himself was close to the army leaders, and late in 1937 his concern was chosen by the Kwantung Army to take charge of industrial development in Manchukuo.

Expressed in political terms, this development meant that the balance of power in Japan was passing from the more moderate and conservative Osaka capitalists into the hands of industrial leaders whose future was bound up in war preparations and aggressive expansion. Such men were much more inclined to work with the Terauchi-Sugiyama clique in a program of arms increases, heavy industrial expansion, a stronger foreign policy, and suppression of domestic political opposition. When the Hirota Cabinet embarked on this program in March 1936, the elements of a strong liberal opposition still existed. Deep suspicion of the army's motives was general among the people, whose mandate at the polls had been undone by the military uprising. The more moderate capitalist groups, centered in the Osaka light industries, looked askance at the new military-fascist program; their old connections with the two big parties, who were also under attack, brought the party leaders into the opposision camp. During the Hirota regime, this liberal opposition partially threw back the military-fascist offensive; under the Hayashi Ministry, however, the army-heavy industry coalition succeeded in launching its program, and the drive was carried to success during the term of the present Konoye Cabinet.

The full aims of the Hirota Cabinet did not become immediately apparent. During the spring of 1936, nevertheless, certain keynotes of its later campaign were struck. Eiichi Baba, the new Finance Minister, threw the stock market into a panic shortly after the Cabinet assumed office by a provocative statement on economic policy, forecasting heavy increases in arms expenditure, taxes, and deficit loans. Under cover of martial law, which was prolonged until July, the authorities made strong efforts to curb the growth of bitter popular sentiment against the army. Several reactionary bills, which indirectly sought to gag the opposition, were introduced under army inspiration at the special Diet session in May, but were greeted with an intense hostility. Since this session confined itself to making but minor changes in the last budget framed by Takahashi, the new principles advocated by Finance Minister Baba did not yet receive practical application.

Hirota Failure

Attempts by the Hirota Cabinet to carry out a " strong " foreign policy fared little better. Lengthy negotiations at Nanking, following presentation of far-reaching Japanese demands by Ambassador Kawagoe in September 1936, witnessed a firm defense by the Chinese Foreign Minister, General Chang Chun. In December, after an abortive invasion of Suiyuan province by Japanese-supported Mongol and Chinese irregulars, Chang Chun broke off the negotiations; eventually Japan secured merely legitimate reparation for its nationals, whose murders had been the pretest for political demands. Of more permanent influence was the signature at Berlin on November 25, 1936 of the German-Japanese " anti-Comintern " part, which openly aligned Japan with the Fascist bloc in world politics. At home the popular reaction was distinctly hostile, and the Privy Council sharply questioned the Foreign Minister on this issue, expecially after the Soviet Union proceeded to withhold ratification of a three-year fisheries pact, favorable to Japanese interests, which had long been under negotiation. Nevertheless, the pact stood, and it constitutes one of the few positive achievements of the Hirota Cabinet. Italy has since adhered, and the three signatories have mutually recognized their respective conquests in Manchuria, Ethiopia and Spain.

Utilizing the ammunition afforded by the Cabinet's unfortunate essays in parliamentary " reform," foreign policy and budgetary revision, the opposition launched an attack on the Hirota regime which accomplished its downfall on January 23, two days after the Diet had reconvened. The fascist tendencies of the government and the army were openly assailed on the floor of the Diet, especially in the speech by Mr. Kunimatsu Hamada, a Seiyukai deputy. In this opening skirmish General Terauchi, the War Minister, sought to have the Diet dissolved, but instead the government resigned. When General Ugaki was chosen for Prime Minister, however, the Terauchi-Sugiyama clique bitterly opposed him as a representative of the " status quo " interests. During five days of intense political crisis, this clique stubbornly blocked appointment of a War Minister to the Ugaki Cabinet. In the end, despite wide public support, General Ugaki was forced to give up his efforts to form a Cabinet, and the task was assumed by General Hayashi. No party members were permitted to enter the Hayashi Cabinet, formed on February 2, 1937. General Sugiyama, after a brief interval, became War Minister, while General Terauchi took the former's post as Inspector-General of Military Education; thus, they still retained the controlling posts in the army. Toyotaro Yuki, the new Finance Minister, represented an even more significant political omen. In his earlier career, he had been associated with moderate financial leaders; more recently, he had drawn closer to the army and expressed support of its slogan of " productive expansion." His appointment of Seihin Ikeda, former manager of the Mitsui interests, as Governor of the Bank of Japan, was equally symptomatic. Ikeda, a member of the nationalist *Kokuhonsha*, also favored arms and industrial expansion. The practical abilities of these two men, however, were reassuring to the more conservative capitalist groups. They were uniquely fitted to harmonize capitalist interests and unite them behind the army program, and thus summed up in themselves the new political course which Japanese industry and finance were charting.

Yuki's clever revision of the budget inherited from Baba quickly restored business " confidence." Under his hands budgetary expenditure was slashed by some 224 million yen—a sum derived entirely from cuts in the civilian Ministries and the projected subsidy to the agrarian community. Yuki made no reduction in the army-navy estimates—an omission readily accepted by the capitalist interests when several of the Baba tax proposals to which they specially objected were eliminated. The amended budget passed the Diet with little difficulty; with this accomplished, Premier Hayashi suddenly dissolved the lower house on March 31 and called for a general election. The move proved to be a first-class political blunder. Even the more reactionary party leaders, who had meekly swallowed the insult of exclusion from the Cabinet, were forced into opposition. A partial united front was formed by the two major parties, and in the general election of April 30, 1937 they returned 354 members out of a total of 466 seats. The Social Mass Party increased its numbers from 18 to 36, while minor reactionary groups declined. The Hayashi Cabinet had campaigned on a platform of " repletion of natinoal defense " and establishment of a " semi-wartime economy." These aims were openly supported by Yuki and Ikeda; General Sugiyama, the War Minister, defined the objective on April 8 in a classic statement: " The myriad affairs of the state must be made to harmonize with the keynote of full armament." The Japanese people had again registered their opposition to the military-fascist program at the polls. Once again, however, their mandate was overturned—not so rapidly as in February 1936, but still within the short period of two months.

Wartime Politics

Several underlying factors were responsible for the ease with which the results of the election were undone. Despite formal political defeat, the Hayashi Ministry had steadily carried through the military-fascist program during its term of office. Passage of the Baba-Yulki budget, with its increased arms expenditure, accelerated the rapid expansion of heavy industry which was occuring at this time. Capital investment in the mining, metallurgical and chemical industries was assuming unprecedented proportions—a factor which contributed to the heavy excess of imports and the resort to gold shipments during the early months of 1937. The army and heavy industry were cementing their coalition, and thus breaking down the virtually solid wall of capitalist opposition that had existed during Takahashi's reign at the Finance Ministry. In the big parties, the more important leaders went along with this tendency; during the election campaign, they strove to mitigate popular hostility to the army. The liberal minority in the big parties was given merely adventitious strength by Hayashi's political blundering. Reactionary elements existed even in the leadership of the Social Mass Party, which was by no means a homogeneous anti-fascist entity. Finally, the trade union movement was small and weakened by disunity, exemplified in refusal of the Social Mass Party to join forces with the " legal leftists," headed by Kanju Kato. These factors made it impossible for the opposition elements to capitalize on their popular support and the election victory. Premier Hayashi retained office for a month after his defeat; even during this period, he managed to set up a Cabinet Planning Board which has since become the economic general staff of the army.

Recognizing Hayashi's political error, the reactionaries planned during May to establish a " national union " Cabinet in an effort to lessen the antagonism between the people and the ruling classes. The party leaders came out in favor of this maneuver; behind the scenes, the army leaders also supported it. These hopes were realized in the Konoye Cabinet, formed on June 3, 1937. Two party leaders, Nagai and Nakajima, were given minor posts in the Cabinet. A solid reactionary bloc, however, held all the main portfolios: General Sugiyama, the War Ministry; Koki Hirota, the Foreign Office; Eiichi Baba, the Home Office; and Kaya and Yoshino, two " new bureaucrats " under army influence, the Ministries of Finance and Commerce and Industry respectively. Five weeks later, the Lukouchiao incident broke out near Peiping. The exigencies of war swept aside the liberal opposition and speeded up the drive to put the military-fascist program into effect.

The army extremists, who had been under a cloud since February 26, 1936, almost immediately reasserted themselves. In September 1937 General Mazaki, long suspected of being the prime mover behind the February 26 revolt, was officially exonerated. When the Cabinet Advisory Council was established in October, both General Araki and Admiral Suetsugu—outstanding extremists—appeared on its roster. Although they were balanced by the more moderate figures of General Ugaki and Admiral Abo, the fact that members of the Council were thought likely to enter the Cabinet made their inclusion significant. Establishment of the Imperial Headquarters in November centralized the conduct of the war in the hands of the military-naval leaders, acting under direct authority of the Emperor. On December 14 Admiral Suetsugu replaced Dr. Baba at the Home Office, and immediately instituted a round-up of persons suspected of radical or liberal tendencies. Among the 371 arrests were included several university professors, Baroness Ishimoto, and Kanju Kato—a Diet member and leader of a proletarian party and trade union council which were summarily dissolved. These events were preliminary to the more decisive military-fascist drive toward power during the first six months of 1938.

Three major issues dominated the Diet session in February and March; despite opposition, all three were settled in favor of the government. By March 12 the huge budgetary and war appropriations, aggregating 8,365 million yen, had passed both houses. Greater difficulty was encountered in the effort to push through four laws nationalizing the electric power industry—an issue originally pressed without success by the Hirota Cabinet. On March 26, after the session had been extended one day, this set of laws was finally approved, although not without amendments which protected the private power interests. The most important struggle, however, was waged over the National Mobilization Bill, a comprehensive statute of fifty articles drafted by the Cabinet Planning Board, in which the army's voice was dominant. This measure vested in the government virtually unlimited control of social and economic life, including industry, finance, trade, transportation, labor, the press, and organizations. With respect to labor, the bill provided for conscription of workers, prohibited strikes and lockouts, and empowered the government to fix wages, hours and working conditions. It also provided that matters not specifically mentioned could be dealt with by Imperial Ordinance—a direct threat to the legislative competence of the Diet.

Early in April—following the defeat at Taierhchuang—a Ministerial crisis developed, with Premier Konoye apparently resisting the army's demand for application of the National Mobilization Act. On May 5, despite Konoye's pledge to the Diet, the main provisions of the Act were put into effect. Three weeks later the Cabinet was thoroughly reorganized. On May 26 General Ugaki assumed the Ministries of Foreign and Overseas Affairs, General Araki became Education Minister, and Mr. Seihin Ikeda took over the Ministries of Finance and Commerce and Industry; on June 3 General Itagaki replaced Sugiyama as War Minister. In this reconstructed Cabinet, military or naval officers held six portfolios: War, Navy, Foreign, Home, Overseas, and Education. Four portfolios were concentrated in the hands of two men—Ugaki and Ikeda. The latter, collaborator with Yuki in launching the program of "productive expansion" in 1937, held the two economic Ministries. His reappearance at this time of crisis demonstrated the close working cooperation that existed between the decisive sections of "big business" and the more militant army leaders. With Araki and Itagaki in key posts, the army extremists were strongly entrenched in the new Cabinet. Against them was set General Ugaki, slated to succeed Konoye as Prime Minister and generally viewed as a moderate by his past record and affiliations.

The central protagonists in the political struggle which had gripped Japan since 1931 were thus clearly represented in the new Cabinet. In platform and policy this government, as it reinvigorated prosecution of the war and applied the National Mobilization Act, was functioning along lines marked out by the military-fascist movement. Definitive control of the Cabinet and other state offices, however, was still denied to the army extremists.

Wartime Finances

Confronted with a war emergency, the Japanese ruling groups—despite the persistence of a serious inner conflict—have managed to patch up a working basis of cooperation. This platform has moved steadily toward more complete and effective regimentation in both the economic and political spheres. It has curbed opposition, suppressed the stirrings of unrest, and prevented emergence of overt popular revolt against the war. The ultimate result, however, is conditioned by the increasing financial-economic crisis. On the economic front, Japan is faced with two closely interrelated problems: the swollen war budgets, and the trade and exchange position of the Empire.

The two latest Japanese budgets, covering the fiscal years 1937-1938 and 1938-1939, have included staggering appropriations and loan authorizations. The following table, which includes the various regular and supplementary estimates approved by four successive Diets during the past eighteen months, shows a consolidated balance sheet of these figures:

EXPENDITURES AND LOANS APPROVED BY DIET, 1937-39*

(*in millions of yen*)

1937-1938	*Appropriations*	*Loan Estimates*	*Loans Issued*	*Carried Over*
Regular budget	2,982	968†	730	238
War budget	2,551	2,423	1,500	923
Total	5,533	3,391	2,230	1,161

1938-1939	*Appropriations*	*Loan Estimates*	*Loans Issued by June* 15, 1938
Regular budget	3,515	1,170†	...
War budget	4,850	4,453	900
Total	8,365	5,623	900

*Sources: *The Oriental Economist*, cited, *passim* and supplement "Trade and Industry in 1937-38"; also *Monthly Circular* (Tokyo, Mitsubishi Economic Research Bureau), April 1938, pp. 7-9.

†Includes loans for the "special account" budget consisting largely of self-balancing items but which is now running a deficit. Figures for this budget are not included in the table.

The abnormal size of these figures becomes evident when it is recalled that the 1936-1937 budget, the last drawn up by Takahashi, carried total appropriations of only Yen 2,278 million and deficit loan estimates of Yen 704 million. On the other hand, actual expenditures for the 1937-1938 year ran well under the budgetary appropriations—a fact which is reflected in a carry-over of Yen 1,161 million of loan authorizations on March 31, 1938. When this amount is added to the current year's loan estimates, the authorized loans for 1938-1939 reach the huge total of Yen 6,784 million. It is obvious, however, that expenditures were mounting rapidly during the spring of 1938. By June 15, i.e., after only two and a half months of the current fiscal year had elapsed, Yen 900 million or nearly one-seventh of the total loan authorizations had already been floated. These flotations, moreover, did not include any of the deficit loans required to balance the regular budget, which will have to be issued.

Although the government bond issues were apparently being smoothly absorbed, a moderate degree of currency inflation had forced the Diet to raise the fiduciary issue limit from Yen 1,000 million to Yen 1,700 million. During the first half of 1938 the Bank of Japan's note circulation averaged Yen 373 million above the same period of 1937. Prices were rising rapidly—at a time when world prices in general were falling. Between May 1937 and May 1938, the wholesale price index had risen from 218.5 to 248.4, the retail price index from 172 to 198, and the cost of living index from 192 to 205. These sharp increases, moreover, had followed upon a long period of rising prices since 1931. The Japanese people were paying for the war in higher living costs.

Several other results of Japan's internal financing were disquieting. Government bond issues of Yen 2,230 million in 1937-1938 had raised the public debt by April 1938 to Yen 13,021 million, a sum approximately equal to Japan's total national income. The burden of servicing this debt was growing more onerous. Since early 1937 the Diet had approved three successive revisions of the taxation system which had boosted taxes by roughly Yen 640 million, until the ordinary revenue totaled Yen 2,202 million in the 1938-1939 budget estimates. Calculated on the actual revenue of Yen 1,562 accruing from Takahashi's last budget, this meant that Japanese taxpayers had shouldered a 40 per cent increase within a single year.

The deficit financing by which Japan has sought to meet the excessive demands for war expenditure has thus created serious difficulties. Much more acute problems have been raised by Japan's trade and exchange position. For 1937 the merchandise trade of the Empire showed an excess of imports of Yen 636 million—a deficit exceeded only once before in Japan's history, in 1924. Even more striking, the service items of Japan's balance of payments showed an estimated deficit of Yen 262.5 million—the first such deficit since 1915. These adverse balance were covered by shipments of gold (Yen 869.7 million) and silver (Yen 28.8 million), totaling Yen 898.5 million. The fact that Japan relied solely on specie payments to balance its international accounts was significant in another respect: its readily available foreign security or other liquid assets had apparently been exhausted prior to 1937.

During the first half of 1938, Japan's trade and exchange position became steadily more acute. Imports from January through June aggregated Yen 1,484 million, while exports totaled Yen 1,288 million. The excess of imports thus amounted to only Yen 196 million, as against Yen 641 million during the corresponding period of 1937. To achieve this result, however, Japan had reduced its imports by Yen 760 million, reflecting the strict economy imposed at a time when the demand for war materials was exigent. Japan's exports, moreover, had shrunk by Yen 314 million, or approximately 20 per cent—the first significant decline in Japanese export trade since 1931. Gold shipments continued during this period in amounts well in excess of the Yen 196 million trade deficit. By July 19 Japan had shipped gold valued at $84,300,000 or Yen 294 million, to the United States. The fact that Japan's free gold reserves had been exhausted was made clear on the same day, when the Japanese Cabinet authorized creation of a "foreign exchange revolving fund" to finance purchase of raw materials, chiefly cotton, for the export industries. To this end, it proposed to send abroad Yen 300 million of the Bank of Japan's statutory gold reserve, which was thereby reduced to Yen 500 million. Neither the efforts to stimulate the Empire's gold production nor to induce the Japanese people to "donate" ornaments and precious metals to the government, it thus became evident, had prevented resort to the last gold reserves which backed Japan's currency issue.

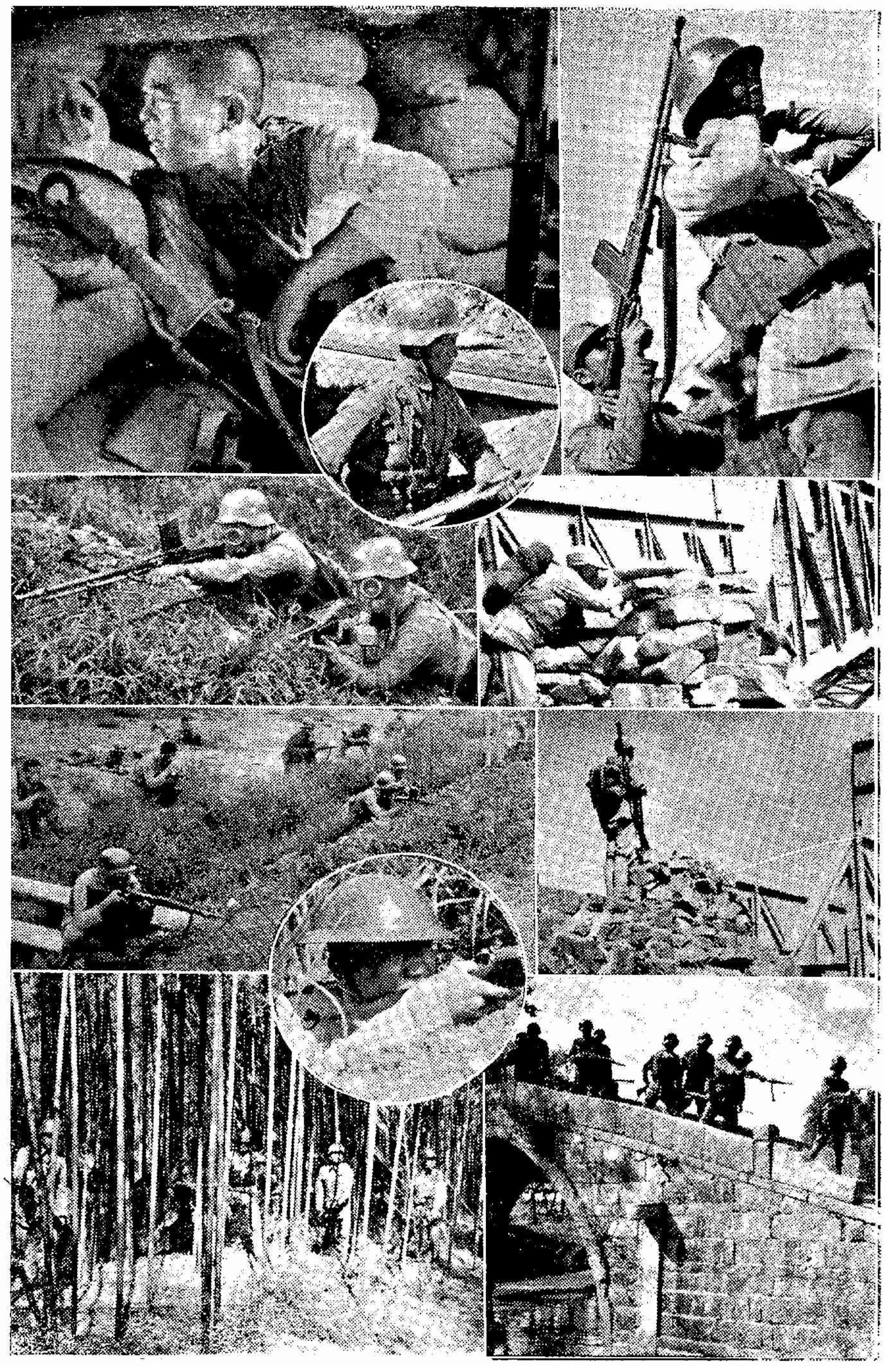
In order to cope with the increasing gravity of the foreign exchange problem, the Japanese authorities had meanwhile developed an extensive and drastic "economic control" program. The first important step in this direction was taken on January 8, 1937, when the Finance Ministry licensed foreign exchange contracts for financing imports valued at Yen 30,000 or over, later reduced to Yen 1,000. Under the Capital Control Law, enacted by the 72nd Diet, licensing regulations which became effective on September 27, 1937 gave absolute priority in capital investment to a list of "urgent" industries having relation to military needs. The Foreign Trade Control Law, also applied at this time, empowered the government to restrict or prohibit the import or export of a classified list of nearly 300 commodities. This law was soon elaborated by detailed regulations affecting such important items as raw cotton. Domestic consumption was also regulated by laws affecting many aspects of life, including such matters as restriction of gasoline consumption and the requirement that staple fiber by mixed with cotton goods retailed within Japan.

By the middle of 1938 it had become necessary to extend the "control" features of Japan's wratime economy to much greater lengths. On June 23 the Cabinet adopted the principles of a comprehensive "national materials mobilization" program, designed to economize domestic consumption, check the rise in prices, encourage savings, and increase exports. This program, in drafting which Finance Minister Ikeda had played a leading role, was speedily applied. On June 29 the Ministry of Commerce and Industry prohibited further manufacture for domestic consumption of a long list of cotton textile and iron products. A near-panic developed among retailers, as they fought to buy up every available bolt of finished cloth; and consumers crowded the department stores. A similar ban is gradually being applied to other articles. The strictness with which these prohibitions will be enforced may be gathered from the fact that the Ministers of Finance and Public Welfare met on June 24 to consider measures for the relief of from 700,000 to 800,000 persons who were expected to be thrown out of employment." Finally on June 29, a comprehensive effort to control prices was inaugurated, with detailed schedules of standard prices fixed by prefectural price commissions working in conjunction with the Central Price Committee. In most cases, these mandatory prices ranged from to 10 to 20 per cent below current market prices. On July 7 it was revealed that the Home Ministry was engaging 3,800 "economic police" officers, who would be stationed in prefectural police offices to enforce observance of the mandatory price lists and other features of the new control program.

Japan's acute foreign exchange problem would be quickly solved if sufficiently large credits or loans could be secured abroad, but efforts along this line have thus far proved fruitless. Germany and Italy, partners of Japan in the "anti-Comintern" entente, are equally deficient in foreign exchange resources. The tripartite trade agreements, signed by these two powers with Japan and Manchukuo, have afforded but slight help to Japan in the purchase of war materials. Such purchases have been made chiefly from the great democratic powers. According to careful estimates, the three leading suppliers of Japan's war materials in 1937 were the United States (54.4 per cent), the British Empire (17.5 per cent), and the Netherlands Indies (7.4 per cent). The United States sold Japan important amounts of the following materials: copper, 92.9 per cent; automobiles and parts, 91.2 per cent; petroleum and oil, 60.5 per cent; machinery and engines, 48.5 per cent; pig iron, 41.6 per cent; other iron (including steel), 59.7 per cent; and zinc, 20.4 per cent.

The major role played by the United States in this regard is underlined by figures recently made public by the Munitions Control Board. From April 30, 1937 to June 30, 1938, the Control Board issued licenses for $13,795,000 worth of munitions to China and $9,384,000 to Japan. These amounts were for finished materials of war, or munitions in the strict sense of the term. When the purchases of raw materials essential to the prosecution of a war are examined, the picture is quite different. During 1937 Japan bought more than $200,000,000 worth of such materials from the United States, and approximately $73,000,000 worth during the first five months of 1938. On the other hand, China's total purchases from the United States, including non-military items, amounted to less than $50,000,000 in 1937 and only about $17,000,000 during the first five months of 1938. It should be noted that the Neutrality Act, as it now stand, does not cover raw materials, which constitute the great bulk of Japan's purchases in the American market. Japan's dependence on the United States is qualitative as well as quantitative. It would be difficult, if not impossible, for Japan to purchase elsewhere the machinery, machine tools, automobiles, high-grade steels, and certain fuels and lubricating oils which are available in the American market. In view of this special dependence on American war materials, Japan is peculiarly vulnerable to restrictive action undertaken either by the people or the government of the United States.

China's Soldiers at War



A fearful fellow—member of a Chinese Big Sword unit. (Right) a Chinese soldier obligingly provides a rest for an anti-aircraft gun. (Inset and below) in the trenches. (Right) Guarding the Yellow River bridge. (Left) A moment before they go over the top. A lone sentinel on a bridge in North China. (Inset) Getting a "bead" on the enemy. (Left) Advance through the woods, and a charge across a bridge.

The 'End' of Government Banknotes in N. China, and Japan's Gold

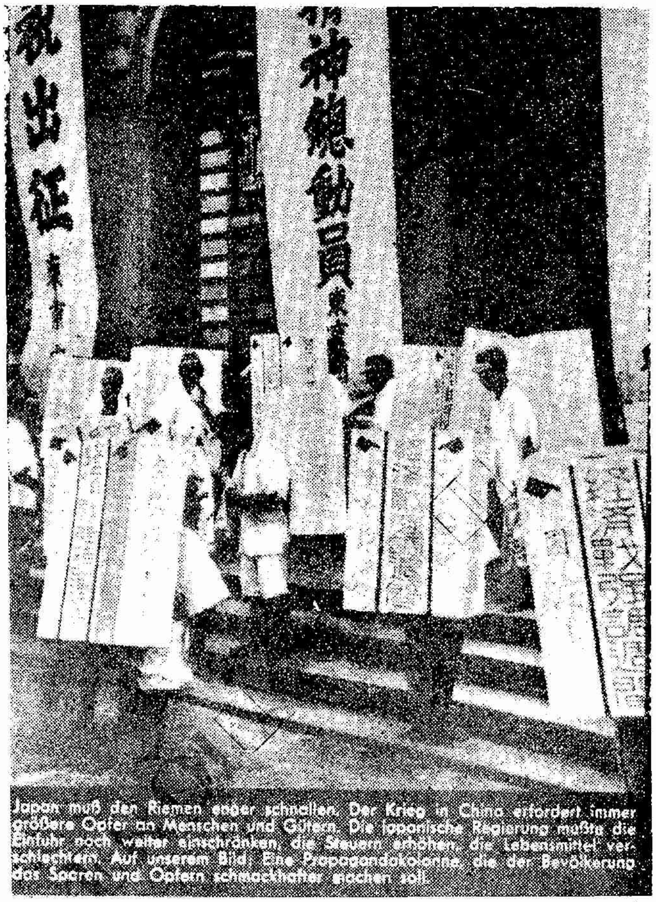
BANKNOTES issued by the Kuomintang Government will be withdrawn from circulation in less than four months in the provinces under the jurisdiction of the "Provisional Government," Japan's Peiping puppets said on Nov. 19. The financial regulations of the Peiping administration promulgated on March 10 last year allow" one year of grace" for the bank notes issued by the Kuomintang Government.

"Provisional Government" authorities are planning to cut the exchange rate of the old bank notes compared to the Federal Reserve Bank notes in December. Similar steps will be also taken in regard to provincial currencies. The first depreciation of the old bank notes was announced August 8 when a 10 per cent discount was put into effect. Up to that time the old bank notes and the Federal Reserve notes were exchanged at par.

The second discount of the value of the old notes will be effected with a "wide margin" and the possible influence of this action on Japanese currency in Shanghai will be ignored from the viewpoint of the Peiping administration, persons in authoritative quarters told *Domei*. A large amount of provincial currency is circulating in Shansi; the total in use there is estimated at $30,000,000. The Shansi currency is accepted at a discount of 10 per cent for Federal Reserve Bank notes. A further discount will be made in the local currencies, it was indicated.

Bonds Absorbed

Japan's ability to absorb national bond issued was revealed by Toyotaro Yuki, governor of the Bank of Japan, at a meeting of representatives of banking and trust organizations when he reported that out of a total of Yen3,630,000,000 worth of bonds issued since the beginning of the year sales amounted Yen 3,143,000,000.


出征
神總動員
Japan muß den Riemen enger schnallen. Der Krieg in China erfordert immer größere Opfer an Menschen und Gütern. Die japanische Regierung mußte die Einfuhr noch weiter einschränken, die Steuern erhöhen, die Lebensmittel verschlechtern. Auf unserem Bild: Eine Propagandakolonne, die der Bevölkerung das Sparen und Opfern schmackhafter machen soll.

This picture, taken in Tokyo, shows the methods which recently have been adopted by the Government authorities to stir up enthusiasm for the purchase of war bonds to finance the "China Incident" war on the Yangtsze and elsewhere. The picture appeared in the *Volks Illustrierte*, Prague, and the inscription in German under the picture stated that the war in China was requiring more and more sacrifices on the part of the Japanese people, "who are tightening their belts and contributing their wealth in the form of higher taxes and donations to the war fund."

A natural increase of Yen 255,000,000 in state revenue for the coming year was estimated by the Finance Ministry last week in announcing assessments totalling Yen 2,160,000,000 as against Yen 1,905,000,000 for the current year. Of the increase, Yen 164,000,000 represents accrued revenue from the income tax.

The "Home Front"

Gearing budget machinery to the emergency requirements of national life, the Tokyo Finance Ministry last week made tentative allocations of funds for various new projects designed to strengthen the "home front." Employment relief for disabled soldiers, economic rehabilitation of farm villages and the training of industrial engineers are among the newly adopted mediums to meet war-time exigencies within the nation. Allocations of funds for the Ministries of Education, Welfare, Commerce and Industry and Agriculture and Forestry were studied at the third inter-ministerial budgetary conference at the official residence of the Finance Minister, Seihin Ikeda.

The greater part of the allocations, which totalled Yen 121,872,000, went to the Ministry of Welfare, which received Yen 70,887,000. This sum included an appropriation of Yen 50,000,000 for military assistance. An additional Yen 18,000,000 was allowed for "military subsidiaries." Temporary unemployment relief will be financed with an outlay of Yen 2,600,000, while Yen 287,000 will go toward the purchase of medical materials. Out of the Yen 36,400,000 granted the Ministry of Agriculture and Forestry, Yen 21,000,000 will be expended toward subsidiaries in encouraging farm production, while Yen 8,000,000 will finance the rehabilitation of agrarian villages.

Fully Yen 3,000,000 will be spent in placing agricultural production on a war-time basis and Yen 1,800,000 will be set aside for a movement to increase the agricultural population. Forestry products will be increased with an appropriation of Yen 2,600,000. From the Yen 11,500,000 allotted to the Ministry of Commerce and Industry Yen 5,500,000 will be used to provide suitable employment for disabled soldiers unable to resume their previous occupations. The sum of Yen 1,000,000 was provided to develop mineral products, and Yen 5,500,000 will be used to purchase stock of the Imperial Fuel Co., Ltd. The entire allocation of Yen 2,176,000 for the Ministry of Education will be used to build a temporary institute to train industrial engineers.

Gold and Japan

Discovery of a "Treasure Island" in the middle of the Kurile archipelago known as Urup Island was announced by the Tokyo newspaper *Asahi* Nov. 19 in narrating the accounts of three mining experts sent by the Government to explore for gold. Specimens of ores containing a high percentage of copper and gold were said to have been brought back from the island which is 80 kilometers in circumference and traditionally known as a gold island, the *Asahi* said. The daily announced that another exploration of Urup Island would be made next spring.

But how much gold has Japan? People may have different answers to this question. However, according to Li Wan-chu, in a special article published in the *Hongkong Shun Pao*, Japan has now very little, if any, gold left in her treasury. Last July, Li Wan-chu writes, the Japanese Government announced that Japan had Yen 800,000,000 worth of gold. Whether this figure is right or not demands close examination, as the amount of gold which Japan possess has a great bearing on our prolonged resistance.

Last November, the *Tokyo Economist* in an article stated that Japan had only Yen 200,000,000 worth of gold. Adding the gold reserve of the Japanese banks, the total amount of gold in the Island Empire by that time was around Yen 600,000,000. How much gold has Japan now? The figure must be much less than Yen 600,000,000 because of the increasing unfavorable balance of Japan's foreign trade in the past few months.

China Building Rail, Phone Network

Despite the tremendous claims on its treasury for war expenditures, the Chinese Government is proceeding apace with its plan for the exploitation of economic resources in the five southwestern provinces of Kwangtung, Kwangsi, Yunnan, Kweichow and Szechuan. To date, it has raised $20,000,000 which represents the investment of Chinese banks for the construction of several important railway lines.

In charge of this gigantic development programme is the newly organized Southwest Economic Reconstruction Commission which has worked out a comhensive project for the laying of 6,400 kilometres of railroads on eleven different lines. The new projected lines are:

The Paochi-Chengtu line linking Paochi, the western terminus of the Lunghai Railway with Chengtu, provincial capital of Szechuan; the Szechuan-Sikong line which will tap the economic resources of Sikong and the Tibetan border; the Chengtu-Chungking line; the Kweilin line; the Hunan-Kweichow line, the Yunnan-Kweichow line; the Hunan-Kweilin line; the Yunnan-Burma line; and the Kweilin-French Indo-China line. The last two lines will provide new Chinese outlets to the sea.

China Puts Tax on Excess Business Profits; Bond Sales Improve

With a view to strengthening China's war-time finances, the Chinese Government has imposed a tax on excess business profits, it is learned from local financial circles. According to the recently promulgated regulations governing the imposition of the tax, all business establishments, including corporations, stores, warehouses, and factories with a capital exceeding $2,000 are liable to such tax; while government and private joint enterprises whose profits exceed the total of capital by 15 per cent. are also subjected to the levy.

The tax is also applicable to landlords and money lenders who make profits to the amount of 20 per cent in excess to their property. It is further stipulated that the tax payers must report on the amount of their profits to the responsible collecting agents within the prescribed time. Those who fail to comply with the regulations are liable to fines and other punishments.

The Discount and Loan Committee organized by the Government Banks extended credits to the amount of $16,300,000 to various industrial and commercial concerns in Shanghai in the month of October. The business condition in general is reported to have much improved and 33 factories and shops are reported to be opened in October.

Silver to Hongkong

In order to strengthen China's financial position, large sums of silver and gold have been exported from Hongkong after the outbreak of hostilities. The following table shows the export of silver and gold from Hongkong in the past year:

		Export of Silver	*Export of Gold*
		(In Hongkong	Currency)
1937:	August	$ 2,282,079	$ 259,324
	September	69,727,320	325,146
	October	123,911,844	242,329
	November	58,111,509	2,940,340
	December	102,049,003	3,310,811
1938:	January	65,342,922	2,310,000
	February	8,947,127	2,892,237
	March	2,812,888	3,788,900
	April	12,371	1,920,799
	May	138,693	2,567,421
	June	7,124,971	2,841,815
	July	16,477	4,455,990
	August	359,718	5,495,013

Financial Payments

It is estimated by well-informed financial circles that China's international payment will prove favorable to China this year, despite the war. The following table shows the balance of international payments for the first nine months of 1938:

Outpayments:

	Jan.-Sept. 1938	*Jan.-Sept.* 1936
Merchandise Imports	$663,393,667	$819,760,890
Export of Gold and Silver	78,673,721	271,624,710
Total	$742,067,378	$1,091,385700

Inpayments:

Merchandise Exports	$559,895,668	$684,023,133
Import of Gold and Silver	10,041,692	588,880
Total	$569,937,360	$684,612,013

Excess of Outpayment Over Inpayment: $172,130,018—$406,773,687

If the remittances from overseas China in the first six months, which amounted to $300,000,000 are included, the balance of international payments for the first nine months is already in favor of China, not to mention foreign loans, investments, as well as foreign expenditure in China, including tourists, missions, and diplomatic, and military.

National Salvation Bonds issued by the Japanese Government to finance the military campaign are being sold in the occupied areas in China. It is reported that Yen 17,725 worth of the fifth national salvation bonds have been sold in Taiyuan alone.

Exit Hall-Patch

Mr. E. L. Hall-Patch, financial adviser to the British Embassy in China, sailed from Yokohama aboard the liner Empress of Japan Nov. 16 for Canada en route to England on furlough. Hall-Patch arrived in Japan from Shanghai Oct. 7. He later visited North China and Manchukuo.

Antimony Control

China produces 80 per cent of the world production of antimony every year and Hunan produces over 80 per cent of China's total production, according to the Ministry of Economic Affairs. According to a recent investigation the antimony mines in Hunan are located at Hsinhua, Yiyang, Anhui, Yuanning, Ichang, Tungan, Wukong, Hsinning and Shaoyang. However, over 75 per cent of the total production of antimony in Hunan comes from Hsinhua district alone. The total production of antimony in the province is 19,000 tons per year. The production, transportation as well as export of antimony from Hunan are now controlled by the National Government.

Tokyo Says China's Air Fleet Wrecked

The *Asahi Shimbu,* on Nov. 10, reported that the Imperial Headquarters, Naval Department, Tokyo, had declared that China's air force had been smashed both in physical equipment and morale. The statement said:

With the objective of complete control of the air over Chinese territory, the Japanese naval air force cooperated with the military units in the reduction of Hankow and Canton and carried out frequent raids on the various air bases of the enemy in the interior. Thus by the end of October it has been able tc bring down or destroy in other ways more than 1,400 Chinese aircraft. Although a precious sacrifice of 111 planes has been incurred, the great task of placing the entire Chinese territory at the mercy of our bombers has been accomplished.

" Also in the Canton and Hankow campaigns, the cooperation of the naval air force has enabled the land forces to make incredibly rapid advances and especially in the fighting west of Tean the naval air squadrons attacked the Chinese confronting the land units and the corpses of the some 40,000 Chinese troops covered the mountains and buried the valleys. Full display of its strength, thus, has been made by the naval air force in cooperating with the land forces in their landing in the face of the enemy, pushing upstream and fighting in fields and on mountains as well as in securing complete control of the air. To this can no little be attributed the abandonment by the Chinese by their Canton and Wuhan positions.

" Already the Chinese have lost their main air bases at Hankow, Hsiaokan and Canton, suffered the destruction of Nanchang and their front line air base at Hengyang is on the verge of death due to incessant bombing. No longer has the Chinese air force any such spirit of initiative action as it showed at the outset when it raided Shanghai day and night. Its concern now is solely to escape from further raids by the Japanese squadrons and it has fled to Liangshan, Chengtu, Kunming and other interior areas in the hope of preserving what little strength remains to it.

" Nevertheless, the Chinese still have a hundred and some scores of planes left and are endeavoring to build up their third air armament. The naval air force, therefore, is striving to destroy the remaining strength of the Chinese. The following are data on the damages sustained by the Chinese air force and by us:

	Shot Down		
	Certain	Uncertain	Total
Up to end of June	439	59	498
of July	76	12	88
of Aug.	69	13	82
of Sept.	13	0	13
of Oct.	13	1	14
Grand Total	610	85	695

	Destroyed on Ground		
	Certain	Uncertain	Total
Up to end of June	459	56	516
of July	78	15	93
of Aug.	26	13	39
of Sept.	29	8	37
of Oct.	27	8	35
Grand Total	619	101	720

Grand Total shot down and destroyed on ground 1,415. Japanese losses 111.

Thanksgiving Is Celebrated Here

Americans in Shanghai celebrated Nov. 24, Thanksgiving Day, with traditional spirit. Members of the American community attended a special Thanksgiving service in Holy Trinity Cathedral, at the invitation of the American Association of Shanghai.

The service commenced with an organ prelude and then the Choir sung several anthems. The Reverend Carleton Lacy, D.D., gave the Invocation and a hymn followed, rendered by the Choir and the congregation. Colonel Joseph C. Fegan, new commanders of the Fourth U. S. Marines, delievered the President's Proclamation and another anthem was sung.

The Reverend Charles L. Boynton read a passage from the Bible and a prayer was offered by the Reverened F. L. Hawks Pott, D.D., of St. John's University. After the offertory hymn the Reverend Stanley Smith, Ph. D.D., addressed the congregation. Following the hymn and anthem the Very Reverened A. C. S. Trivett, M.A. D.D., pronounced the Benediction with a sevenfold Amen by the Choir. The service concluded with an organ selection.

The annual Thanksgiving foot-ball game was played at the Canidrome at 1.30 p.m. between teams from the First Battalion and the Second Battalion. The teams competed for the special cup donated by the Shanghai American Amateur Athletic Association. The Marine Band also was present.

War Between Dollar and Yen Being Waged Behind Battle Lines

BY W. C. TSAI

BEHIND the front-lines where China and Japan pit their military strength against each other in a desperate struggle, an invisible yet decisive war is going on in full force. The battle is fought between the Chinese dollar and the Japanese yen, between China's war-chest and Japan's, with an outcome far more fatal and far-reaching.

As the war was virtually forced on China before she was given time to map out her economic planning for national defense, it is naturally difficult for her to achieve economic mobolization which is so vital in modern warfare. The ground has not yet been well-prepared for the Nationalist Government to muster, at a moment's notice, sufficient portion of the nation's capital and industrial capacity to wage a long, drawn-out battle. She is compelled not only to make the best use of the limited resources at her disposal, but to develop new projects and open new revenue in the midst of the hostilities. In order to assess China's financial strength, it is necessary, at this juncture, to examine her relative income and expenditure.

Taxation, from customs duties, salt revenue and consolidated tax, constitutes over 80% of the Government's income. As a direct consequence of the undeclared war, income from taxation has fallen off considerably. The loss of important ports—Shanghai, Tientsin, Kowloon, Tsingtao, Canton, Nanking, Hankow, Kiukiang, and Amoy—coupled with stagnant trade, has reduced China's customs revenue to an appalling figure.

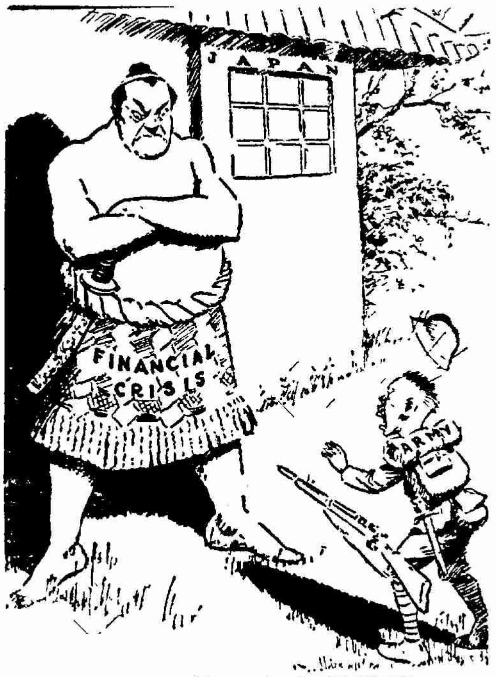
The salt revenue has also been dealt a severe blow. In 1932 China lost her rich salt-producing provinces of Liaoning and Kirin; then the present hostilities again wrought heavy havoc on the salt bases of Shantung, Chekiang, Kwantung and Fukien. The total amount, which was estimated at $230,000,000 in 1935, fell to well below $180,000,000 last year. The Government has also sufferered tremendous loss on consolidated tax, including cigarettes, liquor, cement, cotton goods, wheat, etc. With one city after another swept by the wave of destruction, and the people made homeless and penniless, the task of collecting taxes has been rendered well-nigh impossible.

The second chief source of Government income is bonds. According to the figures given by the Ministry of Finance in January, 1936, the Government bonds then comprised of 33 kinds, with a total face value of $1,460,000,000, which were later refunded into consolidated bonds. After the hostilities broke out in Shanghai, the Government further issued $100,000,000 worth of Relief Bonds, $500,000,000 Liberty Bonds, $500,000,000 National Defense Bonds, and gold certificates with customs securities. Though the bonds bear unusually high interest rate and provide an attractive form of investment, any further issue would place itself beyond the purchasing power of the people and would serve to draw the country's capital from more productive channels.

National Currency

A revolutionary step was taken when the Chinese Government abandoned the silver standard in 1935. The new monetary system has been operating along the lines of an exchange standard, and has proved exceedingly stable. Although no accurate figure can be obtained, it is believed that the note reserve abroad is well above 70%, and collateral securities up to 40%. The reserve fund is further strengthened by the silver purchasing policy of the United States, which has lent invaluable aid to the Chinese dollar. The total value of outstanding notes issued by Chinese banks was placed in the neighborhood of $1,890,000,000, which increased by $200,000,000 as a result of the war. To check the flight of capital and unscrupulous speculation, exchange control was put into force. Thanks to the wise discretion the Chinese Government there has been no inflation to any serious proportion, and it can said that the Chinese national currency has stood up very well under the strain of the devastating war.

"When Nippi Comes Home"



Marcus in the N. Y. Times

Benefited by the advantages of the new monetary system, the reconstruction work in the country made remarkable strides in the first half of 1937. China's foreign trade experienced one of its rare booms, reaching a total of over seven billions dollars. This figure, however, took a nose dive after August. In China as a whole, the total exports dropped by ½, and imports by 2/6. The figure for imports fell very little owing to the large flow of ammunition, smuggled goods and daily necessities; while the exports declined sharply due to the destruction of productive areas, the paralysis of native industries, and deficient means of transportation. Consequently the unfavorable balance of trade was made further unfavorable by $65,000,000. The first essential step in remedying the unfavorable balance of trade was taken in the form of exchange control, which was put into force in March, 1938. Foreign exchange is sold by the Central Bank of China at the official rate on application. The Bank supplies all exchanges for ligitimate importation of necessities, bu tdiscriminates against luxuries and goods which can be procured within China.

On the other hand, the Government has adopted effective means to encourage exportation of native goods. Transportation facilities for raw silk, tea, and cotton goods are provided whenever possible. The exportation of tung oil has been banned because of its military value. To promote the production of antimony, nickel, and copper, the Government regulates their sales, and establishes trading centers abroad.

With the war ravaging on the Yangtsze Valley, the bulk of the foreign trade has shifted to South China, notably through Hongkong, Canton, Swatow, Wenchow, and Ningpo, where the amount of imports and exports are regulated. The exercise of control is vested in the hands of the Foreign Trade Committee, as appointed by the Ministry of Economics. Exporters are required to sell their exchange to the Central Bank, which goes to strengthen China's note reserve. Thus the goals of both exchange and trade control are achieved in one stroke.

Foreign Loan

While it is impossible to arrive at the exact figure which China has spent on her campaign of resistance, it may be taken for granted that the amount is staggering. We have seen that the income from taxation, the sale of bonds and inflation is inadequate to cope with the enormous expenditure, and China must, therefore, look for financial assistance abroad at this moment. It is evident that the assistance comes mainly from the United States and Great Britain, who between them hold the purse-strings of the world; and the recent conference of Mr. K. P. Chen, head of the Chinese Economic Mission, with the U. S. Secretary of Treasury bears compelling testimony to this effect.

But China must not fall back on foreign loans as the last source of income. She must develop her own resources and finances her own war; and to accomplish this end economic mobilization is indispensible. The Chinese Government, having wisely foreseen the pressing need of this measure, has lost little time to take necessary steps toward this direction, such as the moving of industries into the interior, the conservation of all precious metals, regulation of industrial and mineral production, supervision of foreign exchange and trade, reorganization of banking and credit system in accordance with war-time demands, acceleration of rural reconstruction, and the general saving campaign. As Generalissimo Chiang remarked: "China will fight her decisive battle in the vast hinterland of the interior, and not along the coast." On the remote, rugged soil of Yunnan, Szechwan and Hunan, the Chinese will play their trump card and throw in their whole lot against the Japanese. And once China gets her economic mobilization under way, she will have an endless flow of man-power and natural resources to last as long as the game is on.

Shanghai Junk to Try Pacific Again

Seven adventurous travelers, five of them from Shanghai, left the Pescadores Nov. 19 in a storm-battered junk for Taihoku, Formosa to make new preparations to cross the Pacific Ocean.

Undaunted by the failure of their first attempt, which ended Nov. 15 after they sailed from Wenchow, Chekiang, the seven "castaways" were determined to brave the hazards of the 5,000-mile journey once more after their primitive craft has been repaired and refitted. Mr. J. M. Nicholas, American captain of the junk, named the Mei-ling after Mme. Chiang Kai-shek, said he would said from Taihoku to Hongkong, where the boat will be over-hauled. The voyagers are attempting to cross the ocean by the long route to San Francisco, where they plan to visit the World's Fair.

Shanghai 'Goes Tough' as Gambling, Dope Flourish Under Japanese

UNDER Japanese tutelage, Shanghai is rapidly becoming the "toughest town on earth." Opium dens, gambling establishments, rackets of all types and banditry are thriving in the Japanese-occupied areas, adjacent to the International Settlement and the French Concession.

Last week, 22 opium retail shops opened their doors in Western Shanghai under the protection of the Japanese military and the "Reformed Government" in Nanking, heralding the beginning of an opium monopoly under the Japanese-fostered regime. Most opium on the market is from North China and Persia, imported, it is alleged, by Japanese military and their agents in what the Chinese term another measure to "corrupt the Chinese race."

Gambling houses are flourishing to a degree that is unknown in the history of the city and that completely custhines the pre-reform days in Frenchtown, where several big "joints" used to exist. Located in Chinese territory are ta least 21 big gambling casinos, representing a conservatively estimated investment of $1,100,000, with vast financial support at their command, the *Shanghai Evening Post & Mercury* reported Nov. 16.

Staggering sums are at stake every day as people of all classes, including many foreigners, frequent these resorts. The proportion of the stakes in the various games may be indicated by the commission collected by the bankers, who are reputed to be earning from $43,000 to $81,000 daily. One of the casinos, capitalized at $100,000, it is said, makes a gross profit of $5,000 to $10,000 a day because of its lack of "class demarcation," thus drawing a number of lower class gamblers, and because of a sideline operation a "hwa hwei" lottery, something similar to the numbers racket in the United States.

Inside Dope

All of these gambling dens, according to reliable information obtained by an *Evening Post* representative and checked with "inside dope," are protected by the "City Government of Greater Shanghai," which collects a revenue of from $150 to $500 per day from the dens. The special office in change of the "gambling industry" is known as the "Supervisor's Office for Amusement Clubs." It is apparent that Japanese military authorities in Shanghai have knowledge of the gambling dens existing in their occupied zone. It is even suggested that they be granted the necessary permission in return for a share of the revenue. This, however, can not be confirmed.

Most of the gambling dens are located within a radius of about one mile from the Stadium on Yenping Road, once the site of a big dog-racing park and until the outbreak of the Sino-Japanese hostilities here a sports field managed by the China National Amateur Athletic Federation. Generally, the dens are distributed in three centers, namely:

In opening the gambling dens in these areas, a "company" must obtain a permit from the "supervisor's office" in accordance with a regulation providing, among other things:

1. In the event the company stops functioning, the permit must be returned to the "supervisors' office" promptly.
2. All regulations must be obeyed.
3. The permit may not be transferred.

Pai Chu, Etc.

All of the dens offer a big variety of games, ranging from Chinese "pai chu" or 32 bamboo "cards" to imported-roulette. One of the most popular games is the so-called "Big or Small," played with three dice. "Fan Tan," also a dice game, is popular with the gamblers. Several of these dens also operate "hwa hwei" lotteries, bleeding the poorer class of Chinese gamblers with the Chinese equivalent of the "numbers" game.

In reception of gamblers, these dens are comparable to the Frenchtown resorts of the old days in that they offer the best brand of cigarets, cigars, opium, foreign and Chinese food and wine to their patrons free of charge. Several of the big resorts also keep private motorcars to pick up gamblres at appointed places and hours and convey them home before or after the curfew hours. One of the den operators told his customers that no one would dare to stop cars from his joint after the curfew hours because he operates it "with army sanction."

Crime Rampant

Influential as the gambling den operators are in the underworld, protection accorded the gambling dens is far from satisfactory and may hardly be compared with conditions in the "good old days." Pro-Chinese elements desiring to check the "traitorous ruffians who help the Japanese in corrupting the Chinese people," disgruntled undewrorld members on the war-path against their rivals for their failure to get their share in the profitable business, and independent gunmen have made the path to the amusement clubs thorny and often unpleasant, especially when a gambler is walking out of a den with a newly-filled pocket. It is even declared that the gambling dens hire "special agents" to recoup the bankers' losses through "pig-skinning," as highway robbery is known in Chinese underworth lingo.

Several bombing cases have been reported recently. Numerous cases of highway robbery have also been brought to light, despite the precautionary measures jointly taken by the gambling dens and the special motorcar transportation service offered in some of the larger dens. Desperate underworld gunmen, it is said, have boldly raised several joints in the past, getting away with all the money on the tables. In these cases, the bodyguards of the gambling dens were outnumbered and outwitted.

China Realty Wins Over Spanish Firm

ASSUMING full jurisdiction over all litigants in the case of China Realty Company, an American firm, against the Augustinian Procuration and the China Motion Picture Finance Association, the First Special District Court in Shanghai on Nov. 19 rendered a $700,000 judgment with interest and $3,000 lawyers' fees for the plaintiffs. A supplementary judgment was also rendered against the second defendant, the China Motion Picture Association, for $700,000 in favor of the Procuration. This was made on the ground that the former had breached a mortgage deed agreement which secures the payment of a debt to the plaintiff by the Procuration.

In rendering the judgments, Judge Li, presiding, decreed that the defendant Procuration was not Italian, as its counsel and the Italian consulate contended, but Spanish. The Court then explained that since the recognized Spanish Government had given up its extraterritorial rights in China, and in keeping with a decree of the Ministry of Justice issued early last year, the jurisdiction over Spanish subjects in China rests entirely in the hands of the Chinese.

The question of the nationality of the Pro-curation was brought up at an earlier hearing of the case. In that session, Dr. O. Fischer, then counsel for the Procuration, told the Court that his client was an Italian entity and, therefore, only the Italian cónsulate here could assume jurisdiction over the case. The Italian Consulate also made representations to the effect that the Court had no jurisdiction over the defendant.

At the last hearing of the case, Mr. L. C. Yang, representing the plaintiff, produced evidence to show that the Procuration was not Italian, despite the fact that Father P. Cerezal, who was given a power of attorney by the head offices of the Procuration in Madrid, is an Italian. Mr. Yang also produced in court last week a book, called "Missions Of China," to show that several curacies of the Procuration were described as "Spanish Augustinian Hermits, O.S.A."

The plaintiffs' counsel informed the court that the power of attorney given to Father Cerezal by the Procuration in Spain also shows that the defendant was a Spanish organization. The Italian father, he said, was only an agent of the Spanish mission, and therefore so far as his relations with the mission are concerned, his nationality does not change the nationality of the Procuration.

On the merit of the case, the court, found entirely for the plaintiffs. It held that the Procuration had purchased from the plaintiffs the land in question, and in lieu of the payment of money for the land, it executed a mortgage deed to the plaintiffs, promising to pay the sum of $700,000 with compound interest. The Court, however, refused to give judgment for $20,000 lawyers' fees, as requested by counsels for the plaintiff. It held that in view of the work done by the counsels, they were entitled to $3,000.

As against the second defendant, The China Motion Picture Association, the Court found that the Association had in turn executed a mortgage deed to the Procuration and, therefore, when payments on the deed were defaulted, the association became liable to the mission for payment. In holding the Association also liable, the plaintiffs argued that the Procuration had assigned to the plaintiffs the Association's mortgage deed for additional security on its own liability. On this issue, the Procuration argued that the assignment had been cancelled. But the Court upheld plaintiffs' contention that the assignment, under the agreement as well as Chinese law, was irrevocable.

While the supplementary judgment was rendered in favor of the Procuration, that judgment, it was held, does not affect the primary liability of the Procuration to the plaintiffs, and the former was ordered to turn over whatever satisfaction it obtains from the Association to the plaintiffs in satisfaction of its own judgment.

Shanghai U.'s Books Pianos Removed

In their second visit to the University of Shanghai campus since the outbreak of the war, faculty members of the American Baptist Mission school yesterday succeeded in removing 25,000 volumes of their books. The University authorities also brought back to the city 14 pianos during their trip to Yangtszepoo.

Information obtained Nov. 22 revealed that the books have been taken to the joint library of the local Christian colleges which is now located at the Continental Emporium, Nanking Road. Another trip to the University was planned for Nov. 23 when a larger number of Chinese books will be removed from the institution's library. The books and pianos formed the first batch of the University's properties ever to be removed from the campus.

China's Counter-Attack at Canton Stems Japan's Hunan Drive

THIS week, Chinese claimed three important developments in the nearly 17-month-old Sino-Japansee war had brought the Japanese drive to a temporary halt. They were:

1. Kwangtung troops' drive on Canton which brought them so close that they were able to shell the city from across Pearl River.
2. Virtual abandonment of Nippon's drive in Hunan, and the transfer of troops from the Yangtsze Valley to South China to meet the threat of a Chinese counter-attack.
3. Recapture of Hsuanchen, southeast of Wuhu, a strategic city in Anhwei Province, situated at the junction of the Kiangnan Railway and the highway.

Another reason Chinese observers believe the Japanese advance in Hunan has been halted is that the Japanese are realizing the futility of further penetration into the interior of China, following the occupation of Peiping, Tientsin, Shanghai, Nanking, Hankow and Canton. They now can attempt to create a regime in Central China without pushing further inland.

Again, the Japanese army is said to be encountering difficulties in its southward drive without support from the Navy; the present stage of low water in Tungting Lake prevents movement of warships, which gave most valuable assistance to the Japanese Army's advance on Hankow. It is also believed that since the Japanese hold Yochow, which controls the approach to Hankow from the south, the Japanese can afford to halt their operations in the Yangtsze Valley pending further developments.

Two thousand persons perished in the five-day conflagration which practically razed Changsha two weeks ago, according to semi-official reports received in Chungking.

The Chinese Government is said to have appropriated $500,000 for the relief of the homeless in the Hunan capital, whither police and gendarmes have returned to maintain order. Over 70 men and women workers belonging to the Political Department of the Hunan war area are also reported to have reached Changsha under orders from General Chen Chen, who is directing operations on the south bank of the Yangtsze, in order to supervise the burial of the dead.

Chungking's Statement

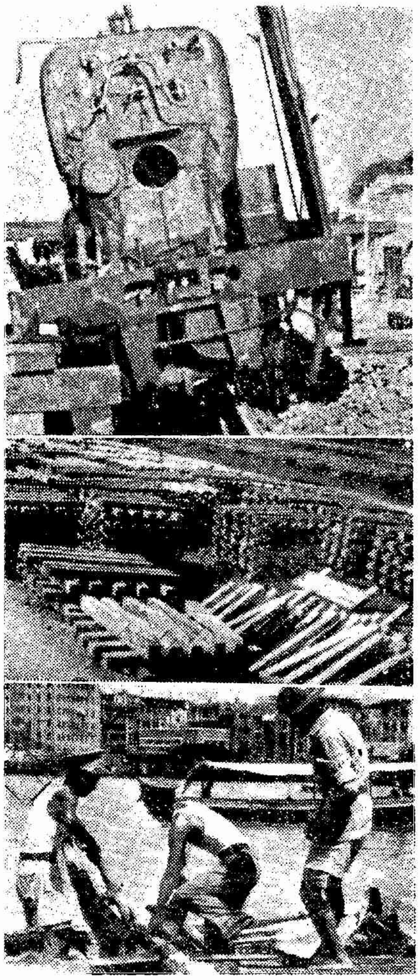
Speculation over the Changsha fire were laid to rest in a Chungking statement on Nov. 20. The statement explained that the outbreak of the Changsha fire was due partly to misjudgment, based on rumors, on the part of the local military and police officials, and partly to spontaneous indignation against Japanese aggression on the part of the members of the People's Self-Defense Corps.

Though it is a military necessity to destroy all public buildings and utilities at a time when a strategic withdrawal is being executed from any important city or point, in order not to leave behind anything of use to the enemy, the statement said, the fire at Changsha was premature and was started without orders from the highest military authorities. Although Yochow, which is the gateway to Hunan, had been lost to the enemy at the time, the Chinese positions north of Pingchiang and Milo were still most secure and the front line was still over one hundred Chinese li away from Changsha. The Chinese command furthermore was at that time transferring large reinforcements to the front to stem the Japanese advance, and neither had the Provincial authorities issued any orders to carry out the policy of destruction.

Continuing, the statement said that the causes of the fire are two in number, namely, (1) the local military and police authorities had been misled by rumors and became hasty and alarmed at the eleventh hour; (2) the members of the self-defense Corps, who had been entrusted with the duty to prepare the destructive measures when the proper moment arrived, were most indignant against the ruthless Japanese aerial bombings of several towns in north Hunan and, believing that Japanese troops were fast approaching Changsha, began setting their own homes on fire. When the outbreak of one fire led to another and then many others, the conflagation became uncontrollable.

Deep regret was expressed in the statement that the fires had caused the people untold suffering and considerable material damage. On learning of the disastrous fire, the statement revealed, Generalissimo Chiang Kai-shek hurried to Changsha and personally formulated rehabilitation plans, which included (1) the arrest and punishment of those responsible for the fires, (2) appropriation of huge funds for the relief of the victims, (3) transfer of the armies for the consolidation of the defenses of Changsha, (4) reorganization of the local military and police machinery to supervise the rehabilitation measures.

Bombing Results



(Top) Wrecked Chinese locomotive at Nanchang. (Center) Rail sleepers for repairs to Canton-Hankow Railway, an object of Japan's bombers for many months. (Lower) Dragging the dead from the river after Japan's planes had bombed Canton.

Northwest Activity

Japanese forces stateiond in various parts of Suiyuan and Charhar are concentrating at Pailingmiao, northren Suiyuan, and have commenced to advance westwards toward Paotow, the western terminus of the Peiping-Suiyuan Railway, preparatory to launching an attack on the Chinese positions at Wuyuan, western Suiyuan. The Japanese at Paotow have commandeered 3,000 Chinese civilians to enlarge the airfield, situated 4 miles south of Paotow. The nearby civilian houses have been demolished and a large number of people rendered homeless and destitute.

Two towns, where the headquarters of three Chinese generals playing a major part in the defense of Shensi, were bombed for the first time Nov. 19, dispatches reaching Tokyo from a Japanese Army air base in China said. The towns were Yulin and Shenmu. Barracks and other military establishments at Yulin, which is situated close to the Great Wall in northern Shensi, were attacked.

At Shenmu, situated in the northeastern extremity of Shensi, Japanese bombs were rained upon various military establishments, according to the reports. These military institutions were razed, the dispatches added. Gen. Fu Tso-yi, former chairman of the Suiyuan Provincial Government; Gen. Ma Chan-shan, former Manchurian chieftain, and Gen. Ho Chu-kuo, reportedly maintain their headquarters at Yulin and Shenmu.

NOT SO WELL!

He's a happy little chap when he's well, but just now all he wants is to nestle quietly in mummy's arms. It is difficult to understand sometimes how the children, in spite of all our loving care, get their little ailments. Few children escape them, so it is wise to keep Baby's Own Tablets handy.

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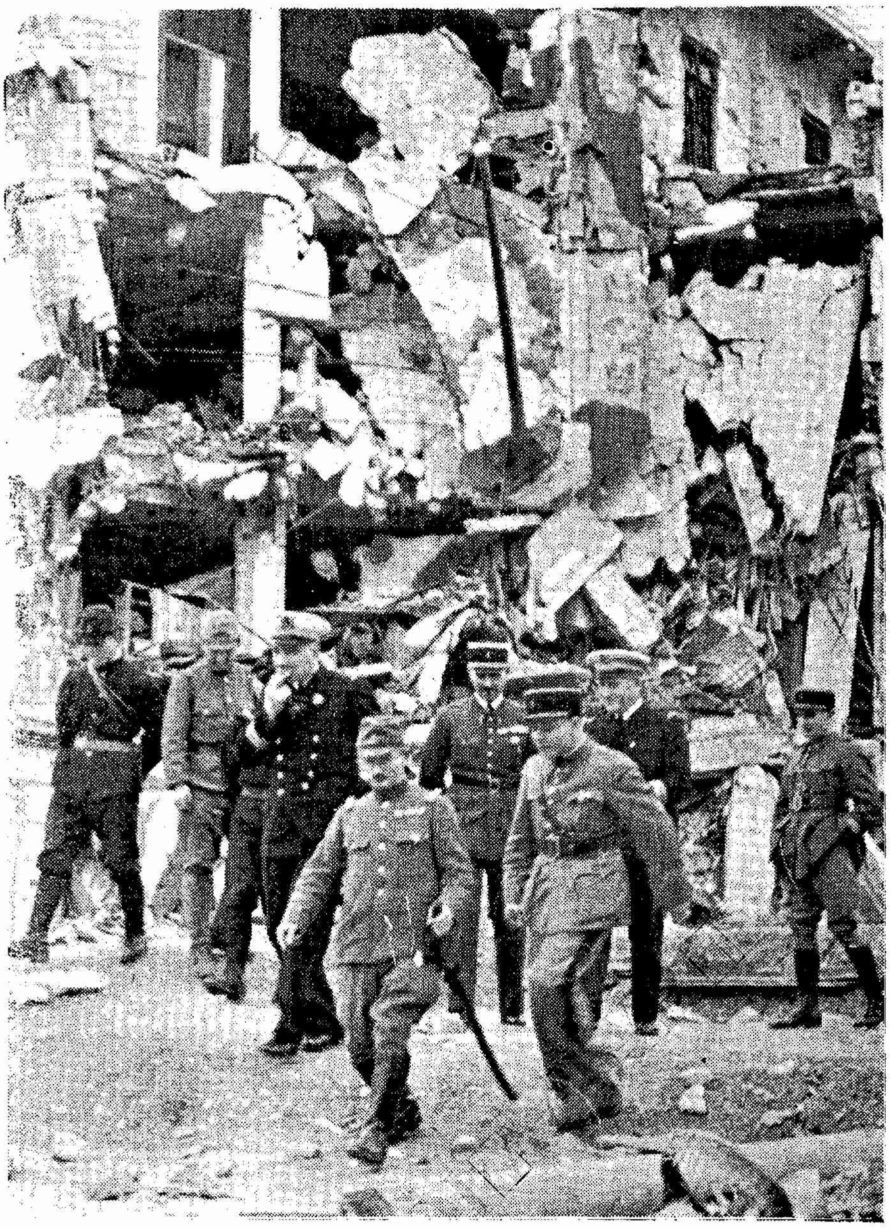
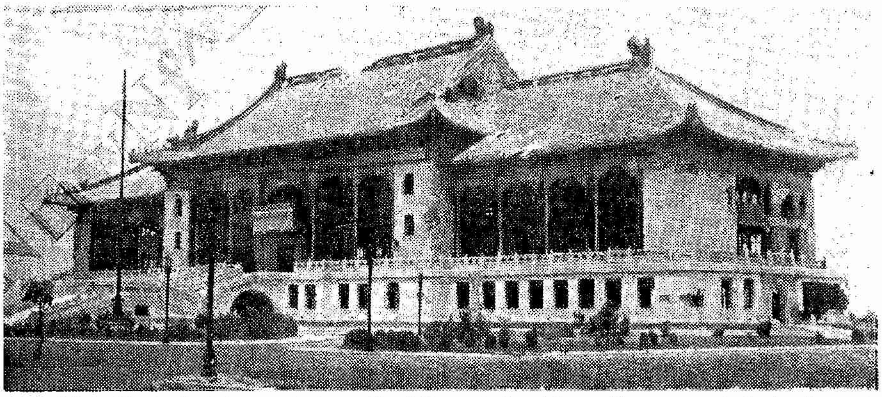
Where the Crime Was Committed



Japanese Army officers escorting a party of Italian and French army officers through the ruins of Chapei. The wrecked building is, or was, the library of the *Commercial Press,* leading Chinese publishing house. It was completely destroyed, together with contents, by Japanese airbombs.

"Mayor Wu's Office" to Be Repaired



The Central Administration Building at the Civic Center, popularly known as "Mayor Wu's Office," as it was constructed under the supervision of Mayor Wu Teh-chen, prior to the Japanese bombardment and occupation, is to be repaired and made fit for occupancy. Fu Siao-en, new Mayor of the local Japanese-controlled Chinese Municipality of Greater Shanghai, has announced plans for repairing all of the buildings at the Civic Center which were destroyed or damaged by Japanese naval guns during the fighting here.

Soldiers Honored

Gen. Tsai Ting-kai, hero of the 1932 Shanghai war, is seen before the microphone before Canton's fall. He is reported to be training a million civilians of Kwangtung. Mme. Sun is seen descending from the Sun Yat-sen Memorial Hall in Canton. Gen. Li Tsung-jen (center) and Gen. Pei Chung-hsi (right), Kwangsi leaders, receiving banners from public organizations before Hankow's fall. (lower) Gen. Yeh Chao also receives a banner in Hankow.

Japan's Radio Call Prefixes Increased

Tokyo Communications Ministry officials have begun a close study of methods to avoid confusion in radio lanes when the 11 new radio call-sign prefixes acquired by Japan at Cairo this spring are put to use beginning Jan. 1. With only the letter "J" authorized as a prefix for Japanese operated wireless stations, the Communications Ministry found itself to have run out of letter combinations. With the recent increase in the use of radio in telegraph and telephone communications, the acquisition of new prefixes became imperative.

Outstanding Events in the Sino-Japanese War

A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of The Review.

Nov. 4.—Gen. Tanaka, Chief of Staff of Japanese Forces in South China, worried over non-return of Chinese population to Canton; said this development was holding up realization of Japan's plans to restore trade and set up new government in South China. No nominee for head of proposed regime yet found. Several explosions of tremendous magnitude felt in Canton yesterday afternoon, which were believed to have occurred at Fatshan.

Nov. 4.—Tao Shang-min, Tientsin's Commissioner of Education and his wife seriously wounded by gunmen in attempted assassination. Chen Chung-fu, another leading pro-Japanese politician and close associate of Lt.-Gen. K. Doihara, also object of attack. Some days previously gunmen broke into Chen's house and failing to find him, shot and killed a servant.

Nov. 4.—Five-Barred Flag, emblem of Japanese-supported Nanking regime, hoisted on Shanghai Chinese Customs Building for first time since Japanese occupation of Shanghai. Customs officials made no explanation, but understood Customs integrity unaffected. Occasion for flying old republican flag, discarded by the Kuomintang in 1927, believed to celebrate meeting of Joint Commission of Nanking and Peiping Regimes at Nanking. Rumored Customs authorities ordred by puppet Nanking and Shanghai regimes to fly flag on holidays and Sundays.

Nov. 4.—Severe fighting proceeding near Puchi, on Canton-Hankow Railway and also in vicinity of Siaolinsze, on Hunan-Hupeh highway. Both cities threatened by Japanese advance from Wuchang. Japanese also attacking Chinese positions north of Yincheng, northeast of Kingshan, on Hankow-Ichang highway. Chinese forces put up stiff resistance. Japanese airplanes active along Upper Yangtsze. In South China, Chinese are counter-attacking at Samshui, whither the Japanese now rushing reinforcements.

Situation at Kuling, Kiangsi resort, said critical; Japanese planning to surround "summer—resort" mountain, on which some 1,000 to 3,000 Chinese troops are holding out, and number of foreigners reside but are running short of food supplies.

Nov. 4.—Gens. Yu Han-mou and Wu Te-chen, military and civil leaders in Kwangtung, who are held responsible for fall of Canton, have been ordered by Central Government to "atone for their blunders," declared statement issued (yesterday) to all overseas Chinese by Central Overseas Affairs Commission. Responsible authorities ordered by Gen. Chiang Kai-shek to recapture Canton within two weeks.

Nov. 4.—"The Yangtse is quite safe and will be reopened to foreign shipping when military operations permit, but I cannot say when that will be," said General Shunroku Hata, Commander-in-Chief of Japanese Forces in Central China, when interviewed at Hankow by foreign correspondents yesterday.

Asked if he was still planning to march on Chungking as he announced at Nanking, General Hata replied, "Yes, if necessary," but would not venture an opinion as to this prospect. Commenting on General Chiang Kai-shek's announcement of new tactics, General Hata said, "We are quite prepared for them," but admitted that not all of China's military power had been destroyed, and that the Chinese are "good fighters."

Nov. 4.—Hankow is a deserted city. The present Chinese population of the three Wuhan cities is less than 100,000, a terrific decrease compared with 1,500,000 persons living in the same zones just a few months ago. This is the gist of information supplied **The China Press** by members of the party of 18 foreign correspondents who arrived at Shanghai from Hankow this evening. The party was brought to Shanghai by a Japanese army plane. The complete list of those who made the trip follows:

Rex Warren, of **Melbourne Herald**; Tilman Durdin, **New York Times**; Mr. and Mrs. Yates McDaniel, **Associated Press**; Malcolm MacDonald, **London Times**; Gerald Samson, **Reuters**; Mack Fisher, George Hogg, **United Press**; Wolf Shenke, Boebacter; W. Sorge, **Lokalanzeiger**; A. T. Steele, **Chicago Daily News**; Victor Keen, **New York Herald Tribune**; J. Marcuse, **Havas**; V. Timushka, Latvian correspondent; Jack Belden, **Shanghai Evening Post and Mercury**; George Krainukov, Universal Newsreel; Eric Mayell, Fox Movietone; and Walter Bosshard, famed still photographer of **Black Star.**

Nov. 4.—"Typical of Japanese military swagger and spiritual bravado" is how a Chinese official spokesman described the statement issued on Nov. 2 by Japanese Government declaring that it would not reject participation of Kuomintang Government in the establishment of a new order in the Far East if it repudiated its anti-Japanese and pro-Communist policy. He termed it as "a grave insult to human intelligence," and said that, as far as written statements were concerned, hardly anything more effective could have been conceived to provoke the Chinese people to greater determination to carry on the bitter struggle and also to shatter the hopes of third parties for an early conclusion of the devastating conflict.

Nov. 4.—Budget estimates for 1939-40, submitted by various government departments, total Y.4,500,000,000, Tokyo Finance Ministry disclosed today.

Of this amount Y.2,800,000,000 was listed as "basic expenditures" and Y.1,700,000,000 represented new requirements.

Nov. 4.—That Neville Chamberlain's optimistic views regarding the future of British trade in China was entirely unjustified was expressed in frank terms in urgent cable dispatched by the Shanghai British Chamber of Commerce to the British Foreign Office. British merchants in Shanghai were greatly disappointed with the British Premier's reply to the Opposition, which he twitted, according to **Reuter**, for having been too gloomy on the subject of British interest in China. Special significance was attached to the action by British Chamber of Commerce, coming as it did, immediately following the cabled protest to American Government by United States Chamber of Commerce and American Association of Shanghai.

Nov. 4.—Earnest hope that Sino-Japanese hostilities would be brought to an early end was expressed by the King in speech on occasion of the prorogation of Parliament, according to **Reuter** report from London.

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Nov. 5.—The United States would reject Japan's claim to new position in Far East as contained in Japanese Premier Prince Konoye's statement, hinted Secretary of State Cordell Hull at press conference yesterday. Asked to comment on Japan's announcement that she was trying to link together Japan, China and "Manchukuo," Mr. Hull said that America would be guided by the generally accepted principles of International Law and principles of fair dealing and fair play among nations. The attitude of the United States, concerning Japan's claims in the Far East, he said, was based on existing treaties, and remained unchanged.

Nov. 5.—Chungking press denounces Japanese Premier Prince Konoye's statement advocating doctrine of "Asia for Asiatics." **Hsin Hsu Pao** declared: "If 'Asia for Asiatics,' why did the Japanese let 400,000,000 Chinese construct a modern country?" Japan's declaration on "Asia for Asiatics," the journal claimed, was in reality a challenge to Great Britain and America.

London press, commenting on Prince Konoye's statement, regards it as a reversal of Tokyo's declaration of Jan. 16 that Japan would have no further dealings with Kuomintang Government, as indication of Japan's desire for peace. Chinese circles ask, "with whom else can Japan deal?"

Premier Chamberlain's optimistics statement on Nov. 1 regarding future of British interests in China criticized in London.

Nov. 5.—Lt.-Gen. K. Doihara, chief Japanese political officer in North China, returned to Peiping from Tokyo; his plan for formation of Federated Government in China said approved by Tokyo authorities. Important conference of Japanese, "Manchukuo" and puppet Chinese officials would take place in Tokyo Nov. 21 to discuss plans for establishment of new economic system in East Asia.

Motor-bus service between Tientsin and Peiping resumed.

Nov. 5.– Chinese forces claimed recapture of Samshui, west of Canton, in counter-offensive yesterday.

Led by Gen. Pai Chung-hsi, some 11 Kwangsi divisions comprising about 100,000 men are counter-attacking Samshui, according to Japanese report. Main body of Kwangsi forces concentrated at Wuchow, Kwangsi port. Thirty-six Japanese airplanes fly over Chungking, but drop no bombs.

Nov. 5.—Hankow's fall had little effect on China's military strength, said one of foreign correspondents who arrived at Shanghai yesterday from Hankow; evacuation of city long completed before Japanese made landing; Japanese army broke pledge not to invade refugee zone. Correspondent told of interesting incident in which the home of three Italian priests was looted by Japanese soldiers. The priests protested in Italian which Japanese soldiers did not understand. Then they shouted "Mussolini, Mussolini," hoping the Japanese would associate the name with their nationality. This likewise failed.

Nov. 5.—Soo Hsi-wen, ex-"Ta Tao Mayor" of Pootung, reported slated for mayoralty of Hankow. Fu Siao-en, new puppet Shanghai "Mayor" planning "Municipal Bank" with Ku Ti-san, compradore of Yokohama Specie Bank, as its head.

Nov. 5.—Severe fighting continuing north of Puchi, on Canton-Hankow Railway, where the Japanese are using mechanized units, but so far have made little progress. Japanese gunboats attempting to enter Tungting Lake from Chenglingchi.

Nov. 5.—Puppet Peiping Federated Reserve Bank demanded that all Chinese banks in North China co-operate in popularizing circulation of notes of Federated Reserve Bank and hand over silver bullion held by them in foreign concessions in Tientsin.

Nov. 5.—Poland denies reports from Tokyo announcing intention of recognizing "Manchukuo." according to Chungking report.

Nov. 5.—Resolution calling for abolition of censorship on books, magazines and other publications in order to safeguard freedom of speech and press adopted at second session of People's Political Council at Chungking yesterday.

Nov. 5.—Working on a United Front with the Kuomintang, the communists of China today have adopted Generalissimo Chiang Kai-shek's program of resistance coupled with national reconstruction, and are co-operating perhaps more fully with the Central Government than at any time in the past. This was the answer made to a reporter in interview by F. M. Fisher, **United Press** correspondent, who returned to Shanghai from Hankow yesterday.

Nov. 5.—"Profound indignation" and "deep shock" were expressed by Shanghai British merchants, financiers and shippers on the British Government policy voiced by Neville Chamberlain, the Premier, in Parliament.

The opinion of the British Chamber of Commerce, already cabled to London in the form of strongly-worded protest, was interpreted by Sir Robert Calder-Marshall, President of the Chamber as follows: "Even were the statement by Mr. Chamberlain that in the reconstruction of China Japan would be obliged to secure loans in Great Britain true," declared Sir Robert, "such anticipations do not justify the taking of an optimistic view of future trade."

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Nov. 6.—Over 100 explosions occurred in Chinese city in Hankow; several buildings near ex-British Concession gates caught fire; cause of explosions believed due to ignition of ammunition dump.

Ichang, important river port above Hankow, bombed yesterday by Japanese airplanes; 15 bombs dropped on airfield.

Japanese claim capture of Tsungyang, pivotal point of military road extending south from Wuchang parallel to Canton-Hankow Railway. Tsungyang was formerly center of Chinese military supplies during battle for Hankow, according to Japanese report.

Nov. 6.—Second session of People's Political Council closed today after ten days of deliberations. Before closing, resolution urging for closer relations with people of border regions was adopted.

Nov. 6.—Seven foreigners, six Chinese hurt when terrorists throw bomb at beer saloon on Bubbling Well Road in Shanghai. Gambling house located in Yenping and Connaught Roads in Japanese occupied territory also bombed.

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Nov. 7.—Meeting of Gen. Chiang Kai-shek and British Ambassador Sir Archibald Clark Kerr confirmed in political circles in London. Place where meeting took place unrevealed.

Nov. 7.—Tseng Shao-kang, terrorist, convicted of murder of Dr. Herman C. E. Liu, late President of Shanghai University, on April 7, and sentenced to death by 2nd Kiangsu High Court in Shanghai.

Nov. 7.—Japanese Premier Prince Konoye reported planning new national organization composed of political, financial and journalistic groups to help decide China policies. "Prompt disposal of China conflict" said Premier's aim, not creation of new political party.

Nov. 7.—20th anniversary of Soviet Revolution celebrated at Chungking. Closer relations between China and Soviet Russia urged in speeches by Government officials and newspaper editorials.

Nov. 7.—National Child Welfare Association of China launches campaign to raise funds for care of war orphans.

Nov. 7.—Japanese naval and military forces are pushing towards Changsha, capital of Hunan, by three routes; claim first half of drive on city completed; Puchi, halfway between Wuchang and Yuchow, said taken.

Kingshan, important point some 150 kilometers northwest of Hankow, severely bombed by Japanese planes. Chinese forces at Kingshan said under command of Gens. Chang Tze-chung and Feng Chi-an.

Nov. 7.—Japanese-sponsored North China Development Company capitalized at Y.350,000,000 and Central China Development Company capitalized at Y.100,000,000 formed at Tokyo; inaugural meetings of shareholders of both companies held today.

* **

Nov. 8.—Japanese troops, pushing south from Puchi, reached Liulin, 30 kilometers distant, according to Chinese report. Severe fighting now in progress east of Puchi.

On Nanchang front, Chinese troops successfully check Japanese attempts to cross Hsiu river.

Advance of Japanese troops along Hankow-Ichang highway checked, before reaching Liuho; the Japanese are attempting to take Tienmen and Kingshan.

Reorganization of Chinese Army in South China completed; counter-attacks on Japanese soon to be launched.

Wuchang badly looted, according to foreign report in Hankow.

Nov. 8.—Japanese airplanes raid Chengtu, capital of Szechuan, for first time. Eighteen planes participate in attack, bombing airfield. One raider shot down.

Nov. 8.—Japanese Cabinet decides upon complete invocation of National Mobilization Act. Premier Prince Konoye outlines measures for long China campaign.

Nov. 8.—British ready to aid in settling Far East conflict, said King George VI in speech delivered at opening of new session of Parliament. British interests in area affected by the hostilities would be safeguarded, the King declared.

Nov. 8.—Most important decision passed at second session of People's Political Council at Chungking was that supporting the Government's policy of continuing armed resistance against Japan, declared Dr. Wang Shih-chieh, Secretary-General of the Council, at press interview. No peace proposals were made during session.

Nov. 8.—**Domei** alleged shipments of arms and ammunition to China from abroad through Indo-China were growing; 15 ships reached Haiphong up to Nov. 3, since occupation of Canton by the Japanese.

Nov. 8.—Foreign members of University of Shanghai faculty and representatives of American Baptist Foreign Mission Society, who visited the campus yesterday, found all the scientific equipment in the university had been "cleaned out." This was revealed to **The China Press** by Dr. J. W. Decker, Foreign Secretary of the Society. Dr. Decker also revealed that structural damage to the university had not been as great as expected. The visitors found that two-thirds of the library contents remained intact, he said. Dr. Decker declared, "My faith in China's long future is unshaken," commenting on China's determined resistance against Japan.

Nov. 8.—Diplomatic representatives of third Powers were notified by Hachiro Arita, Japanese Foreign Minister, that zones of hostilities in China would be enlarged in the future and that consequently adequate measures should be taken to safeguard the lives and property of their nationals in those areas. Zones of hostilities would be further extended in Shensi, Hupeh, Hunan and Kwangsi Provinces, Mr. Arita stated. Chinese military establishments in these areas would be attacked by Japanese airplanes, he warned.

Quakers to Set Up Shanghai Centre

Establishment in Shanghai of a Quaker Centre of Reconciliation and Friendship, recommended by Mr. H. T. Silcock, General Secretary of the Friends Foreign Mission Association, as the result of his visit to China last winter, has now been decided upon by the Society of Friends. The formation of the proposed Quaker Centre is to be undertaken immediately, with the American Quakers co-operating.

The plan is that members of the Centre re-enter the Japanese occupied areas at the earliest possible moment with a view to working for general appeasement—work for which the Quakers' well-known abstention from all political matters, it is considered, specially fits them—thus paving the way for other missionary workers. Mr. Silcock will leave for China in January to inaugurate the Centre. Mrs. Silcock, his coadjutor throughout her husband's previous wrok at the West China Union University, Chengtu, will not accompany him for reasons of health.

Relief Ship Is Bound for Canton

Her hold, packed with thousands of pounds of food and clothing for the homeless refugees of Canton, the freighter Wuchang of the China Navigation Company was to sail up the Pearl River Nov. 23 with the special permission of Japanese naval authorities. The 3,204-ton vessel, the first foreign ship allowed to sail to Canton since the Japanese occupation, will carry huge quantities of provisions and winter garments, including 5,000 pieces of padded clothing, 2,000 blankets, 5,000 winter suits and dresses, 5,000 coats for children, 5,000 pounds of knitted articles, 1,000 piculs of beans, 5,000 piculs of rice and other supplies.

It was estimated that there were 50,000 refugees in Canton, most of whom are women and children left homeless by the destruction of thousands of houses, allegedly fired by Chinese troops before their retreat from the city. Permission for the Wuchang to sail up the liver was granted by Japanese naval authorities as a result of an interview at Hongkong Nov. 17 between Vice-Admiral Koichi Shiozawa, Commander-in-Chief of the South China Fleet, and Sir Percy Noble, Commander-in-Chief of the British China Station.

U.S. Chinese Generous

Generous contributions from Chinese living in America have risen to huge proportions, and make a marked contrast between their attitude and that of the American charitable organizations, declared Charles L. Boynton, secretary of the National Christian Council, who has recently returned here from a world tour. The 30,000 Chinese nationals in San Francisco, alone, have done more to help their country than all their American friends put together, Mr. Boynton said.

Attending a conference of the newly organized Church Committee for China relief, Mr. Boynton learned that this organization was making an effort to raise U.S.$ 1,000,000, a month, for the next twelve months, for relief in China.

Mr. Boynton expressed the opinion that the British are doing just as much for China and that they are equally sympathetic to China's cause. He visited Dr. Gordon Thompson, formerly of the Church Missionary Society Hospital in Hangchow and now Secretary of the China Relief Fund in London. Mr. Boynton said that during this visit he was shown contributions totaling £221 sterling in that morning's mail.

The British handled their China relief problems in a much more satisfactory way than the Americans, Mr. Boynton stated. He said that all relief agencies interested in the work in China are co-operating under one committee and that the Lord Mayor's Fund has wroked effectively to keep the China relief question before the British public. Mr. Boynton said he was in London during the Czechoslovakian crisis. In the wake of the settlement of this crisis, he said, a special appeal was made for thanksgiving offerings for China relief because the British had been spared of such damages as are being wrought in China.

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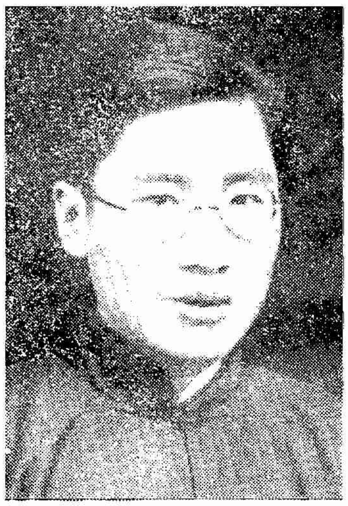
Chengtu
Wanhsien
Santai
HANKOW
Wuchang
Changsha

FOREIGN CORRESPONDENTS:

NEW YORK, LONDON, BERLIN, PARIS, GENEVA, OSAKA, AND HONGKONG

Who's Who in China

Hu Tzu-wei, Government official; born at Wanhsien, Szechuan, 1902; graduate of Chaoyang College, Peiping, and Meiji University, Tokyo; Professor, Central University, Nanking; Professor and Head of Law Department, Central Political Institute, Nanking; Magistrate of Lanchi Experimental District, Chekiang; Administrative Inspector and Commander of Peace Preservation Corps of the 4th Administrative Area in Chekiang Province; Administrative Inspector and Commander of Peace Preservation Corps of the 10th Administrative Area in Kiangsu Province; Commissioner of Civil Affairs, Hunan Provincial Government; now, Commissioner of Civil Affairs, Szechuan Provincial Government; author of "On Chinese Civil Law," "On Debt of Chinese Civil Law," "On Family Law" and "On Succession in Chinese Civil Law" (all published by the Commercial Press); address: Department of Civil Affairs, Szechuan Provincial Government, Chengtu, Szechuan.



胡次威 字長清

Hu Tzu-wei

Tokyo-Hungary Accord Planned

An agreement for the "promotion of mutual understanding through cultural co-operation" will be concluded in the near future by Japan and Hungary, Tokyo announced Nov. 16. The agreement will be similar to a German-Japanese cultural pact which is scheduled to be ratified shortly. Negotiations between representatives of the Japanese and Hungarian Governments have been in progress for some time and a "definite understanding" regarding the proposed accord had been arrived at, according to reports in Foreign Office circles.

Planes Seized

In the second biggest seizure of intact Chinese airplanes since the occupation of Marshal Chang Hsueh-liang's airdrome in Mukden in 1931, the Japanese Army secured 19 machines and 25 motors in Canton, Tokyo reported Nov. 18. The aircraft and equipment were found in the Kwangtung Military aircraft Factory which was intact, it was stated.

Four bombers, 13 training 'planes, one scout machine and one small transport were confiscated, according to the report. In addition, 22 spare propellors and engine accessories sufficient to equip 30 machines were also found, according to information received here.

Guerillas Still Annoy Japanese

Sweeping across the snow-blanketed mountains and plains of southern Shansi in a relentless clean-up campaign, Japanese detachments routed about 5,000 Chinese guerillas and Communist soldiers of the Eighth Route Army with heavy losses in a series of battles during the past few days, according to a *Domei* report from Tokyo Nov. 19. In a clash south of Ishih in southwestern Shansi the Japanese killed 750 guerillas and captured 125, the dispatch claimed.

Launching a dawn attack against about 1,500 guerillas of the 177th Division in the mountains 20 kilometers south of Lintsin in southwestern Shansi, Japanese troops killed at least 200 of them and dispersed the remainder, the dispatch said. Three prisoners were taken. Booty included 100 rifles and 58 horses. Another Japanese column grappled with 800 Communist troops at Changtienchen in western Honan and put them to flight after 150 had been slain. Large amounts of arms and ammunition were abandoned by the Chinese.

Four thousand Chinese irregulars were dispersed in a 3-day clean-up campaign conducted by the Japanese garrisons on four areas in North China since Nov. 11, Peiping reports said. Northeast of Tangshan on the Peiping-Mukden Railway, a force of 2,000 bandits were driven out on Nov. 12 leaving 300 dead, 180 rifles and 2500 rounds of ammunition. Two Japanese were wounded, a Japanese report said. At a point two kilometers south of Paoting, the Japanese forces attacked 200 roving bandits on Nov. 12 causing them to leave behind 25 bodies while a force of 500 bandits were repulsed from a point 12 kilometers west of Potowchen leaving over 50 dead on Nov. 11.

Caught in a withering attack by a Japanese patrol at a point southwest of Sinseing in northern Honan province, 1,300 Chinese guerillas abandoned their positions and fled leaving 240 of their dead, 57 light machine guns and 2500 rounds of ammunitions on Nov. 10, one of the Japanese reports said.

Guerillas Aided

Foreign merchantmen operating in Chinese waters are secretly supplying Chinese troops and guerillas with arms and ammunition, a spokesman for the Tokyo Navy Ministry charged Nov. 17. Such activities, he said, were being carried on without the knowledge of the Governments whose flag the ships were flying.

The spokesman cited these alleged operations and the wish of the Japanese naval authorities to prevent any possible international complications as additional reasons for the refusal of the Japanese authorities to allow the passage of third-party vessels on the Yangtzse at the present time. Under orders of the Government, the commander-in-chief of the Japanese naval forces on the Yangtzse was now doing "everything in his power" to avoid international complications, the spokesman said.

N.Y.K. to Build Two Giant Liners

Construction of two 27,700-ton liners for the Yokohama-San Francisco service will be commenced shortly by the Nippon Yusen Kaisha, *Domei* reported last week. Each of the new liners will have accommodations for 890 passengers, including 220 first class, 120 second class and 550 third class.

According to the shipbuilding program prepared by the N.Y.K., 26 steamers with a total tonnage of 300,000 will be built by the company.

Japanese to Honor Late W. J. Bryan

A 13th memorial service for the late Mr. William Jennings Bryan, elder of the American Democratic Party and former Secretary of State, will be observed in December at Washington with Buddhist rites *a la Japonais* by Mr. Yashichiro Yamashita-Bryan, 67, the late statesman's adopted son, the *Asahi Shimbun* reports. Members of the Senate and the House of Representatives, representatives of the various local Bryan associations, and others numbering in all several hundred persons will be invited to attend the unique service with Mr. Daniel Roper, Secretary of Commerce, acting as sponsor.

Mr. Yamashita-Bryan, who was acquainted with the late Mr. Korekiyo Takahashi, Finance Minister, late General Giichi Tanaka, Premier, Mr. Yukio Ozaki and others and enjoyed the epithet of "the best-informed person on America in Japan," was born in Kagoshima and went to the United States as a youth. While working his way through Nebraska University, his struggles came to the notice of Mr. Bryan, who was led to remark that no other people in the world have a deeper sense of gratitude and are more trustworthy than the Japanese. Thus Mr. Bryan looked after him like his own son and finally, after consulting Mrs. Bryan, he adopted him, telling his son and daughters to "treat Yama as their elder brother."

U.S.-China Arms Going Via Indies

American arms and ammunition are allegedly being shipped into China through roundabout channels, the Tokyo *Kokumin Shimbun* said Nov. 16, noting that the total munitions exported from the United States in October were valued at $7,126,000 of which 60 percent or $4,180,000 were destined for the Dutch East Indies. Basing its claim on good authority, the newspaper said that a greater part of the consignment to the Dutch East Indies was being transshipped through Burma and Indo-China for ultimate delivery into China. The *Kokumin* contended that it was obvious that the Dutch East Indies alone would not require such a large supply of munitions.

Italians to Withdraw from Shanghai?

In view of the new turn in the Far Eastern situation the Italian Government has decided to recall the Italian military forces stationed in Shanghai (excepting the marines) and this decision has been communicated to the Japanese Government through the Italian Ambassador to Tokyo Mr. Giacinto Auriti, the *Asahi* reported recently.

The Italian Ambassador, it is now disclosed, called on the then concurrent Foreign Minister Prince Fumimaro Konoe on October 27 and expressed to him congratulations on the capture of the Wuhan area in the form of a resolution adopted by the Fascist Grand Council. The visit was made in accordance with instructions received from the Italian Government. On this occasion the Italian Ambassador notified the Foreign Minister of the coming withdrawal of the Italian Army unit stationed in Shanghai as a goodwill gesture toward Japan. As the result, the Army unit of Italy stationed in Shanghai is to return home. This step is to be taken because Italy has recognized the new Far Eastern "situation" occasioned by a decisive turn in the China Incident. With this as a turning point Italy's future Far Eastern policy will attract attention, the paper said.

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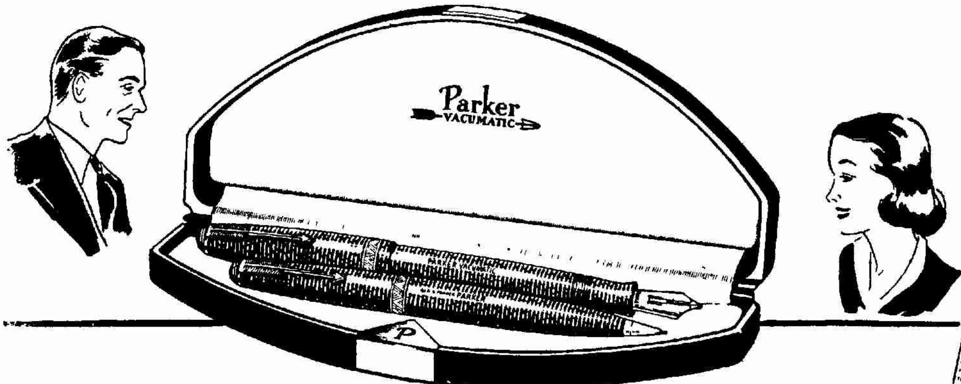

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70-84

Japanese Attack on Dr. Roots Denied

The incedent at Wuchang on November 14, in which Japanese soldiers are alleged to have hurled a bottle of carbolic solution at the face of Dr. Logan H. Roots, an American missionary, and insulted the American flag was described as "exaggerated and unfounded" in a "protest" issued in Hankow, Nov. 21, by the Japanese Consular spokesman.

The Japanese, the spokesman declared, had made an investigation and had found no evidence that a bottle filled with carbolic solution had been hurled at Dr. Roots' face, nor any fact showing that the American flag had been insulted. Owing to language difficulties, he added. Dr. Roots and the Japanese soldiers found difficulty in conversing.

While talking, mostly by gesticulating, the spokesman asserted, a carbolic solution which was carried by the Japanese in a sprayer to disinfect Chinese refugees was accidentally sprayed over Dr. Roots. The incident was the subject of a strong protest by the American Consul-General here Mr. Joscelyn, to the Japanese Consul-General on November 15.

It was reported Nov. 14 that Dr. Roots, was urgently summoned on that day to St. Michaels Church where he found Japanese soldiers endeavoring to drive out the Chinese refugees who were being sheltered there with the permission of the missionaries. Dr. Roots first remonstrated with the Japanese officer in charge and then tried to close the gates, whereupon the Japanese started beating the American flag on the gate wlth their fists. They finally threw a bottle containing carbolic solution at Dr. Roots head but missed their target.

Body of Japanese Found in Well

"Tipped-off" by a Chinese cook in their employ, Japanese gendarmes investigating the mysterious disappearance of Fumio Hoshino, professional at the Kiangwan Golf Club, recovered his body from an old, abandoned well near Eight Character Bridge, Chapei, local Japanese newspapers reported last week. Hoshino had been missing since Oct. 25, when he failed to return home after leaving for the club early in the morning.

How Mr. Hoshino came about to meet his death, the dailies said, still remained a mystery. The Chinese cook, the papers added, told his employers that a group of Chinese had killed a Japanese and thrown his body into a well several weeks ago. This tip was followed up, leading to the discovery.

Men and Events

Bishop W. P. Roberts of St. John's University, departed this week on a brief trip to Hongkong.

Robert Gillane has been promoted chief of the Tokyo Bureau of *Havas Service* in succession to Jacques Deschodt who will return to Shanghai.

George E. Spengler, representative of the Standard Stoker Company, who resides in Peiping, was in Shanghai this week on his way to New York on business.

Eurasia Aviation Corporation has announced the inauguration of a passenger and mail service between Chungking and Kweilin, Kwangsi. The fare for passengers on the new route will be $270.

Members of the staff of the *Osaka Mainichi* were hosts at a cocktail party at the Cathay Hotel on Friday, Nov. 25, in honor of Shingoro Takaishi, president of the board of directors of the newspaper, who is making a trip in China.

The Korean marathon runner, Son Kitei, who won the Olympic championship in Berlin in 1936, will soon marry Miss Kyo Fuku-shin, who is an instructor in the Dotoku Girls' School in Korea, according to a report in the *Nichi-Nichi* on Nov. 14.

Dr. Wilhelm Wagner, recently appointed the first German Minister to Manchukuo, who has been in Hsinking presenting his credentials, has now gone to Tokyo for a conference with officials of the Japanese Government. Dr. Wagner was previously Consul-General at Kobe.

Pearl Buck, American writer, author of "Good Earth" and numerous other China stories, was awarded the Nobel Prize for Literature of 1938, by the Swedish Academy on Nov. 11. The award for the greatest achievement in the field of physics went to Prof. Enrico Fermizu, Italian scientist for his researches in new radio elementary substances which are engendered through neutron radiation.

Ray Marshall, for many years head of the *United Press* Bureau in Tokyo, has been transferred to San Francisco where he will be located in future. Mr. Marshall has had extensive experience in the Far East in both China and Japan and is well known in both countries. He will be succeeded in Japan by Harold O. Thompson, who has been connected with the Tokyo bureau for sometime.

The Russian Orthodox Church in Shanghai, in a special service to communicants last week, awarded the Church "Order of Merit" to Minoru Matsushita, who is in charge of White Russian Affairs at the local Japanese Consulate-General. The award was approved by the headquarters of the Orthodox Church, now located in Jugoslavia. The service was conducted by the Rev. Dionisy, Archimandrite of the Church mission, located in the Japanese-controlled area of Wayside.

According to a Dairen dispatch in the *Asahi* on Nov. 11, the suicide of Major General Tanheide Furujo, editor of the *Manchuria Daily News*, was due to nervousness occasioned by troubles he had experienced in removing his paper from Dairen to Hsinking. The paper is owned by the South Manchuria Railway and has served as an organ for both the railway and the Kwantung branch of the Imperial Army. Major-General Furujo killed himself in the "ancient traditional manner" by plunging his sword through his heart and then removing it and cutting the carotid artery, "in a manner befitting a soldier," according to the newspaper report.

Harry E. Gibson delivered a lecture at the Royal Asiatic Society on Nov. 24 on the subject, "Domesticated Animals of the Shang and Their Sacrifice." The lecture was illustrated.

The Siamese Government has appointed Phra Phramonda as Trade Commissioner at Shanghai and Phra Osatananda as Trade Commissioner at Hongkong. According to *Domei*, Siam will also appoint a commissioner to Manchukuo.

Capt. Ronald A. Boone, Marine Intelligence Officer at Shanghai, who became seriously ill while traveling in Japan on his way home to the United States, has recovered and resumed his trip. Capt. Boone became ill of infected tonsils and for a time it was feared he would not recover.

S. K. Ratcliffe, member of the staff of *The Spectator*, London, was guest of honor and speaker at a luncheon at the Foreign Y.M.C.A. on Saturday, Nov. 19. He spoke on the subject, "A Journalist's View of the Crisis." Mr. Ratcliffe is traveling to the United States from Australia and New Zealand. He is planning to lecture in the United States.

The Italian Fascist Government has dissolved all chapters of the International Rotary Clubs in Italy on the ground that the organization "is foreign in its composition and attitude." The headquarters of the Rotary organization is in Chicago. There are many Italian members in the organization both in the United States and elsewhere outside of Italy.

A large crowd of Chinese and American members of the American University Club attended the meeting of the club at tiffin at the American Club on Nov. 18 when C. L. Boynton of the National Christian Council spoke on the subject, "My Round-the-World Trip in 200 Days." Other guests at the function were Admiral Harry E. Yarnell, Consul-General C. E. Gauss, Col. Joseph C. Fegan, new commander of the 4th Marines and Capt. J. V. Ogan, resident naval officer.

Morisada Hosokawa, 26-years old, descendant of the Kumamoto Clan in Japan arrived in Shanghai last week on a tour of Japanese occupied areas in Central China. He was met at the jetty by representatives of all Japanese high diplomatic, naval and army services, and while here will reside at the official residence of the Ambassador-at-Large, Masayuki Tani on Route Pichon, French Concession. Mr. Kumamoto is a brother-in-law of Fumitaka Konoye, son of the Premier of Japan who also visited in Shanghai recently.

The Soviet newspaper, *Krasnaya Zvezda*, referring to the fifth anniversary (Nov. 17) of the establishment of normal diplomatic relations between the U.S.S.R. and the United States, said that the relations of the two countries in the five year period "had invariably developed in an atmosphere of friendship and sympathy on the part of both peoples." The paper also called attention to the rapid increase in the trade of the two countries, which now amounts to about U.S.$40,000,000.

Four Russians, Eugene Dolgoff, 20-years old, John Gomaniloff, John Zaizeff and Victor Ivanoff, were charged in the First Special District Court by Thomas S. Lea, municipal advocate, with the theft of 350 yards of lead telephone cable belonging to the Shanghai Telephone Company. All were members of a gang of White Russians who operate in the Wayside district which is controlled by the Japanese. According to a statement of the officials of the telephone company, telephonic communication between the city and certain sections of the Hungjao district had been interrupted five times by the theft of lead cable, the latest case involving loss of some 600 feet. The cable had been cut into sections and carted away, supposedly for sale to Japanese scrap-iron dealers.

Dr. and Mrs. T. B. Dunn, who have been in the United States for several months, are scheduled to return to Shanghai next week.

The office of the Japanese Naval Mission headquartered in Hsinking, with branches in all important cities of Manchukuo, has been abolished, according to *Domei* report on Nov. 15.

Walter Bosshard, well known correspondent and news-photographer for European papers, passed through Shanghai this week on his way to Peiping from Hankow and Hongkong.

R. M. R. Warren, correspondent for *The Herald*, Melbourne, Australia, and for several months representative of the *Daily Mail* London, at Hankow, who is now in Shanghai recovering from an attack of typhus, and will shortly return to Australia.

The Women's Christian Temperance Union, which has had its headquarters in Shanghai for the past 15 years, has voted so open an office in Hongkong. Mrs. Herman C. E. Liu, whose late husband, Dr. Liu was murdered Ta Tao gangsters, will serve as secretary of the Hongkong office. She will be assisted by Miss Chen Lu-wei.

Paul M. Anderson of the Occidental Life Insurance Company was elected president of the American Club at the annual meeting held at the Club on Nov. 18. M. M. Bates of the National City Bank was elected vice-president, R. P. Newell, National City Bank, was elected treasurer and Geo. F. Shecklen, R. C. A. Communications, secretary. The executive committee will include, in addition to the officers, W. M. Gray, M. J. Harris, W. J. Lamneck, I. G. Riddick and F. E. Vincent.

All Shanghai newspapers which arrived at Tientsin in mail shipments for the week prior to Nov. 18, were held up by the Japanese censors in the Chinese Post Office in that city, according to *Reuter* report on Nov. 18. The action was taken, according to the report, in pursuance of the new "cultural" policy which the Japanese are now applying in North China. An earlier report stated that the Japanese authorities in Tientsin had issued orders forbidding students in the schools to read the British *Peking and Tientsin Times*.

Joseph. B. Loucks, member of the staff of the Standard Vacuum Oil Company, died at the Shanghai Country Hospital on Nov. 19, the cause of his death being heart failure. He survived by his wife, Mildred Mckoy Loucks and daughter Jane. Funeral services were held on Nov. 21. Mr. Loucks previously served as manager for the company in Manchuria and was in charge at the time of the Japanese occupation in the fall of 1931. He had resided in Manchuria for several years and was regarded as an authority on conditions there.

Japanese to Monopolize Leaf Tobacco Industry

The Manchukuo Government will shortly organize a Manchurian Leaf Tobacco Control Company, which will take over the production and sale as well as the import and export and distribution of leaf tobacco within the new state. According to an article in the *Chugai Shogyo Shimpo* (Nov. 15) the concern will have its headquarters in Mukden and will be capitalized jointly by agricultural companies which are now growing tobacco and the leading Japanese companies, Toa, Keito, Taiyo and the Manchuria Company. The large leaf drying plant at Fenghwangcheng will serve as the investment of the agricultural companies. Other plants will be erected at Chinchow and Mukden.

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Civilians Returning to Canton, Hankow

Return of 300,000 Chinese refugees, restoration of water and powre service and alleviation of a food shortage were bringing the Wuhan tri-cities back to normalcy repidly, according to a message received by the Tokyo Foreign Office recently from Yoshiyuki Hanawa, Consul-General in Hankow.

Reconstruction work in the Wuhan cities was well under way, the Consul-General reported. Foreign residents, comprising 250 Britons, 100 Americans, 92 Germans, 60 Frenchmen and 300 white Russians, were furnished with passes and residence permits issued by the Japanese authorities after they were identified by their Consulates. About 300,000 Chinese were living in the three Special Administrative Districts and many have resumed their former trades and occupations, Mr. Hanawa stated.

Residence certificates were being given to the Chinese by the Japanese military authorities. Fears of a food famine were dissipated when steps were taken by the Japanese authorities to increase supplies of vegetables and grain brought to the triple cities from near-by districts. Prices of commodities were dropping toward normal levels after having soared three to six times above those prevailing before the hostilities.

Water service was expected to be resumed Nov. 20, the Consul-General's report said. Repair work was being rushed to restore electric power service as soon as possible in the areas outside the French Concession. Power service in the Concession has not been impaired. Chinese market keepers were doing a thriving business and Japanese bank notes were in general circulation, the Hankow correspondent of the Tokyo *Nichi-Nichi* reported.

The French Concession, which is barricaded, is virtually isolated from the rest of Hankow and a shortage of food supplies was being experienced there, the correspondent said. Several cases of cholera had been reported in the Concession but not elsewhere, he said.

Dazzling Unwanted

Since the end of October 250,000 Chinese have returned to Canton from outlying regions and business is fast nearing a normal condition, Katsuo Okazaki, Japanese Consul-General at Canton. told newsmen on Nov. 21. Okazaki was to leave the City of Rams by plane Nov. 24 for Tokyo to submit reports to the government on actual conditions since the occupation.

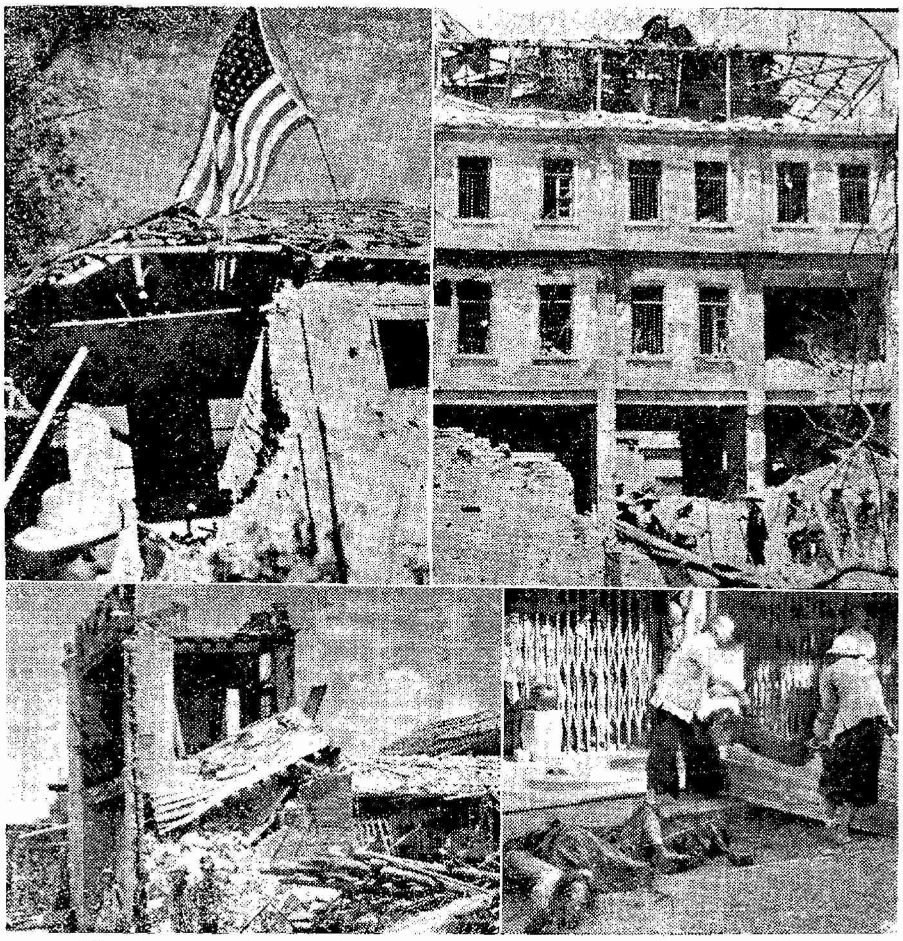
When communication is resumed between Canton and Hongkong and water and power services restored the rehabilitation of the city will be speeded to a great extent, Okazaki stated. A party of 60 Japanese experts will go to Canton from Formosa soon to restore the water and power facilities, he said. The Consul-General warned Japanese merchants that although they would be welcomed in Canton they must "assist in establishing sound commercial relations in Canton without being dazzled by mere business profits."

Japanese Trek

Thousands of Japanese eager to take part in business and reconstruction projects are pouring into China every month and taxing the capacity of all available steamers, Kobe shipping agents reported Nov. 22. Merchants and industrialists comprise the greater part of these travellers with Peiping and Tientsin as the bases for extended trips into the interior of North China. Authorities here are limiting the exodus to the continent to those having definite occupations.

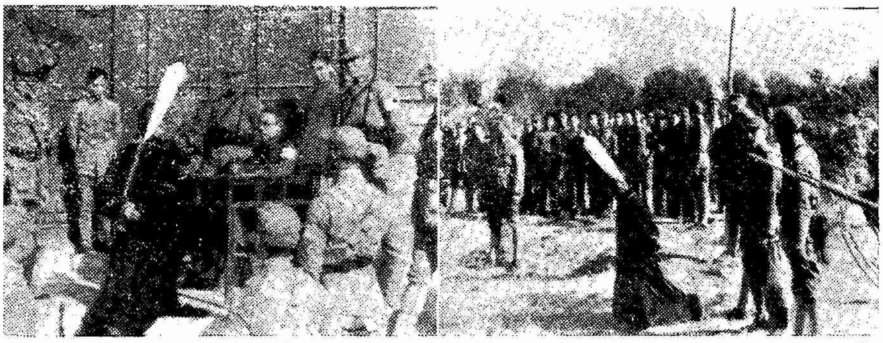
The number of travellers averages 2,000 a month, a survey showed. On the Japan-Tientsin route 200 passengers sail each month on the Osaka Shosen Kaisha liners, Choko, Choan and the Chojo II. The Hokurei, Nanrei and the Chikuzen of the Kinkai Yusen Kaisha also carry about 200. All the ships make 10 trips a month. Bookings are so heavy that they must be made at least two weeks in advance. The Ta Yo Maru of the Nippon Yusen Kaisha, which recently transferred from the Japan-California route, has carried 1,500 passengers in her three calls at Shanghai. Preparations are being rushed by the Osaka Shosen Kaisha to meet the demands for a heavy influx ntio South China through Canton from Japan proper and Formosa.

Shambles of War



The American flag still flies over a ruined building of the St. Hilda's Girl School, outside Wuchang—bombed by Japanese planes July 12, 1938. (Right) Remains of the Sinking Native Association Headquarters in Canton after a Japanese air raid. (Lower left) Ruins of a building in Honam, opposite Canton. (Right) crude coffins for the victims of Japan's bombing in Canton.

The fate of Chinese Traitors



A Chinese traitor is brought before a military trial, given his sentence and quickly led away to execution. The scenes are at Hankow.

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New Books of Interest in the Far East

America's Royal Families

America's 60 Families, by Ferdinand Lundberg; Vanguard Press, G.$3.75.

This is one of the most interesting books that has been written about present-day America. It leaves one stunned with the realization of how far America has deviated from the democracy of earlier days.

Mr. Lundberg says: "The United States is owned and dominated today by a hierarchy of its sixty richest families, buttressed by no more than ninety families of lesser wealth. These families are the living center of the modern industrial oligarchy which dominates the United States. Functioning discreetly under a *de jure* democratic form of government behind which a *de facto* government, absolutist and plutocratic in its lineaments, has gradually taken form since the Civil War . . . no European or Asiatics have ever been so wealthy as the Rockefeller, Ford, Harkness, Vanderbilt, Mellon, and du Pont families of America."

The first chapters show in great detail how the "golden dynasties" have accumulated their wealth and by intermarriage and inter-incorporation formed a monopolistic circle, with the greatest political and economic power of any ruling class in history. President Roosevelt in 1936 labelled these the "economic royalists" of America. Mr. Lundberg, however, shows how these families, not content with plain democratic America, have also inter-married with the nobility of Europe and transferred great blocs of their fortunes there. Having depleted the natural resources of America and squeezed tremendous quantities of treasure from the American people, they quickly lose interest in the land of their origin and without the slightest feeling of patriotism or gratitude to the land of their birth, become the most reactionary and Bourbon of European circles as well. The most notable example of this recently has been the outcry in England against the "Cliveden set," dominated by what the English press calls the "fur-buyer German" Astors, who are the power behind the pre-German Chamberlain policy, Lord Astor being the descendant of the early German Astors of America, and Lady Astor formerly Nancy Langhorne of Virginia. The Astor money was taken from America and invested in England, where the Astors own *The Observer*, notedly pro-Fascist, and the controlling interest in the *London Times*. A further recent example is the various Barbara Hutton marriage attempts, in which she also gave up American citizenship and lavishly distributed to the decadent European aristocracy the wealth earned by the five-and-ten-cent girls of America.

The book describes all phases of the control of the press, of politics, of foreign policy, of public utilities and other branches of American economic life by these sixty families—and nearly every page makes some startling, but fully-documented, statement that the ordinary citizen would never think probable. One of the most interesting facts in the book recalls that J. P. Morgan and Company, being fiscal agents for Britain and France in the Great War, financed the Allies to such a point that they had to maneuver to bring America into the war in order to save their loans and a collapse of the whole banking structure dependent upon them. "Out of the proceeds of the very first Liberty loan more than $400,000,000 was paid to J. P. Morgan and Company in satisfaction of debts owed it by the *British* Government!"

In every chapter one name recurs often—the name of Thomas W. Lamont, manager of the J. P. Morgan interests. The book makes him appear to be the most interesting and important figure in Ameriacn political and economic life. He becomes doubly fascinating as a study when one remembers that his son became a Communist!

Mr. Lundberg's analysis of President Roosevelt's New Deal is extremely interesting. He says: "In essence the 'New Deal' represents one faction of great wealth—the light-goods industrialists—pitted in bitter political struggle against another faction—the capital-goods industrialists . . .

"From its beginning the 'New Deal' was underwritten by those wealthy individuals whose revenues derive primarily from direct exploitation of the retail market—department-store owners, textile fabricators, cigarette manufacturers, independent industrialists, processors and distributors, and big real-estate operators. Excepting the latter, these comprise the light-industries group. And because the task of the 'New Deal' was to restore prosperity to these beleaguered capitalists by restoring purchasing power to the populace, it succeeded in rallying around itself organized labor and the farmers; for in expending popular purchasing power certain immediate small benefits accrued to these latter."

N. W.

Germany, 1928

Three Comrades by Erich Maria Remarque; Boston; Little, Brown & Company U.S.$2.75.

The author of "All Quiet on the Western Front" and its sequel, "The Road Back," has written another novel, this time in a post-War setting. The scene is laid in Germany, as is the case with his previous books, and the time is the year 1928.

The story hinges around three men and a girl. Otto Koster, Gottfried Lenz and

NOVEMBER
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THE CHINA JOURNAL

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HONGKONG IN WAR TIME
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Robert Lohkamp were partners in an auto-wrecking and repair shop and their efforts to keep abreast of outright poverty were desperate ones. Into to their lives and particularly the life of Robby, walked Patricia Hollmann, a girl of rare beauty and character. Previous to her coming Robby had filled the void left by the War with the friendship of his comrades. Now he had love, as well. Pat became one of them. Thus in a world torn with dark poverty and disillusionment their love and the comradeship of the three stood out as a shining star against the losing battle they waged with death.

However, of all the characters only Robby Lohkamp and Pat Hollmann reach complete reality for the reader. The others are ghosts who flit like wraiths through the story, although at rare times they too assume form. These people are rather symbols, symbols of an era of decay, disillusionment and corruption. But it has seemed to the reviewer that the intention of the author was to capture this spirit of a dying order rather than to present his readers with a group of complete and full-bodied characters. If so he has succeeded.

" I sat a long while and thought of all sorts of things. Among others, of how we came back from the war, like miners from a pit disaster, young and disillusioned of everything but ourselves. We had meant to wage war against the lies, the selfishness, the greed, the inertia of the heart that was the cause of all that lay behind us; we had become hard, without trust in anything but in our comrades besides us and in things—the sky, trees, the earth, bread, tobacco, that never played false to any man,—and what had come of it ? All collapsed, perverted and forgotten. And to those who had not forgotten was left only powerlessness, despair, indifference and schnapps. The day of great dreams for the future of mankind was past. The busybodies, the self-seekers triumphed. Corruption. . . Misery . . ." " Never want to know too much, Bob. The less a man knows the simpler it is to live. Knowledge maketh free—but unhappy. Come, drink with me to simplicity, to stupidity and to the things that belong to it—to love, to faith in the future, to the dream of happiness; to magnificent stupidity, to the paradise lost. . . ."

" Three Comrades " is not a happy book. It could not be. No book which truly attempts to capture the spirit of the present age could be a happy book, and this book does that.

D. D.

Anglo-American Trade

Our Trade With Britain, by Percy Wells Bidwell. Council on Foreign Relations, New York. $1.50.

Professor Bidwell, who was for eight years economist with the United States Tariff Commission, prepared Our Trade With Britain, bases for a reciprocal tariff agreement, to furnish an understanding of present American and English commercial policies and for intelligent discussion of the pending Anglo-American trade agreement.

We are told that the combined trade of the British Empire and the United States totals to over 40 per cent of the entire foreign commerce of the world, and that this alone, if no other factor is considered, is a reason for a trade agreement. The author says : " The implications of the trade agreement extend far beyond matters of trade and industry. In framing a trade agreement aiming to open their markets more widely not only to their mutual trade but to the trade of the world, they are moving in the direction of economic appeasement and world peace."

The study gives a detailed, tabulated, documented analysis of the trade between the United States and the United Kingdom, followed by a general view of American commercial policy from 1914 to 1937. There is also a clear exposition of the British tariff system, including information on English tariffs on American imports. The American wants in a trade agreement will necessitate a series of bargains not only with England but with the self-governing dominions, and the author holds that the outcome will depend largely on the attitude taken by general public opinion in each country, "the opinion of millions of citizens who have no tariff axes to grind."

M. V.

Local Publication

Candid Comment, Vol. 1, No. 3. Published monthly in Shanghai, by Emily Hahn. $1.

In a field by itself, Candid Comment, shy on advertising but with plenty of pithy reading matter, should become a favorite among Shanghai's reading public. In the November issue, all reading material is fresh, with the exception of Communist Leader Mao Tse-tung's article on the Communist program. The cover by the late Paddy O'Shea, youthful Chinese satirist, is amusing. Mussolini and Hitler appear in Japanese kimonos—a bit of satire on an old Chinese legend about two bailiffs from Hell.

Text includes "Zakuska" by the editor, a miscellany "Of Possible Worlds" by Candide, "Introduction to Shanghai" by New Arrival, "Prolonged War" by Mao Tse-tung, the Pro and Con department this time conducted by P. S. W. and Anon, "The Importance of Death" by Hsiung Fu-shih, "What About the U.S.S.R. ?" by Kolin Shay, "The Story of Mei-Ying" by Ernest Stripling, "My Life" by General Feng Yu-hsiang, "Letters From Home" by E. Ormsby and "A History of Ancient China by E. H.

Japan to Increase Diplomatic Offices

Intention of the Japanese Foreign Office to open new legations in Central and South America and increase the number of consulates and branch consular offices in China, was revealed in Tokyo Nov. 19 as sharp-eyed officials of the Ministry of Finance scanned the draft appropriations for the diplomatic and consular services.

While a lump sum is asked for the future opening of new consulates in China, specific requests for funds to establish a consulate at Hsuchow, important junction of the Tientsin-Pukow and Lunghai Railways, and four branch consulates in Japanese occupied territory have been already made. The latter will be opened in Lienyun, in north Kiangsu, Weihaiwei, Lungkow and another unnamed town in Shantung.

Japanese Grab China Market

Since August this year, Japanese imports into China have been greatly increased, occupying the first place in China's imports from all trading countries. America occupies the second place, Germany the third place, and Great Britain the fourth place, according to statistics released by the Maritime Customs. The amounts of imports from various countries in August and September are given in the following table :

	Aug.	*Sept.*	*Jan.-Sept.*
Japan	$23,825	$24,757	$130,942
U.S.A.	11,137	11,477	119,563
Germany	8,855	8,862	90,356
Britain	6.777	4.912	57,401

U.S. Contributions Total $775,598

UP until November 10, four American organizations, functioning in the United States, contributed a total of US$775,598 to aid the helpless war victims in China, Mr. C. R. Bennett, treasurer of the American Advisory Committee for Civilian Relief in China, reported this week. The American group represents in China the Church Committee for China Relief, the China Famine Relief, U.S.A., and the United Council for Civilian Relief in China.

The allocation of this amount has been made by either the two committees of the American organization or upon their advice. Actually, according to Mr. Bennett's report, total allocations directly made by the two committees total in round numbers, US$496,000.

Shanghai has received the largest share of the American contributions, being allowed US$57,164 and CH$480,410. Hankow was next, with US$66,259, and CH$132,623. Canton ranked third, with an allocation of US$13,500, while Anhwei received US$10,000, and CH$16,000.

Other contributions were made as follows : Amoy, US$2,5000 ; Changsha, US$5,000 ; Changchow, US$6,388 ; Chengchow, CH$10,000 ; Chinkiang, US$3,500, and CH$3,000 ; Huchow, US$4,832 and CH$12,000 ; Hangchow, US$3,500 and CH35,000 ; Hsuchowfu, US$3,000, US$3,000, and Ch$15,000 ; Haichow, CH$8,000 ; Kaifeng and Honan, Ch$75,000 ; Ningpo area, CH$39,600 ; Nanking, US$7,000, and CH$87,000 ; Peiping, US$3,000, and CH$20,000 ; Paotingfu, CH$7,000 ; Pingting, CH$10,000 ; Southern Shansi, CH$30,000 ; East Shantung, US$7,000, and CH$2,000 ; West Shantung, US$3,000, and CH$21,000 ; Sianfu, CH$30,000 ; Soochow, US$7,000, and CH$35,000 ; Sutsien, US$2,000, and CH$10,000 ; Tsingkiangpu, US$2,045 ; Wuhu, US$3,500, and CH$29,111 ; Wusih, US$100, and CH$7,500 ; Yangchow, CH$499 ; various other places, US$16,305, and CH$24,400.

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